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Characteristics of Community Foundations at Different Ages and Asset Sizes

Kathryn Ann Agard
Western Michigan University

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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
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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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Characteristics of community foundations at different ages and asset sizes

Agard, Kathryn Ann, Ed.D.
Western Michigan University, 1992

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Many friends and colleagues participated in the completion of this long effort. I owe them much, including a public thank-you for their time, enthusiasm, and support.

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the Council, provided sustained and enthusiastic assistance through the review of endless drafts. Her support truly made the research possible. The Michigan community foundations continue the creation of theory in their pragmatic solution of community and organizational problems. I am grateful for their openness to developing their organizations, for observation, and for discussion of the issues regarding the field.

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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.


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."

<table>
<thead>
<tr>
<th>Private Foundations</th>
<th>Not Private Foundations</th>
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Figure 1. 501(c)(3) Organizations/Private Foundations and Other Nonprofit Organizations.


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.

<table>
<thead>
<tr>
<th>Private Foundations</th>
<th>Named Charities</th>
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<tbody>
<tr>
<td>Private Nonoperating</td>
<td>Churches</td>
</tr>
<tr>
<td>Private Passthrough</td>
<td>Education, etc.</td>
</tr>
<tr>
<td>Private Operating</td>
<td>509(a)(1)</td>
</tr>
<tr>
<td>Company Sponsored</td>
<td>Section 170(b)(1)(A)(i)-(v)</td>
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Figure 2. Named Charities/Other Nonprofit Organizations.


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. ¹ (See Figure 3.)

Hoyt (1991) wrote:

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

¹Two 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.
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<th>Publicly Supported Charities</th>
<th>509(a)(1)</th>
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<td></td>
<td>Section 170(b)(1)(A)(vi)</td>
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<tr>
<th>Income from Admissions/Fees</th>
<th>509(a)(2)</th>
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<th>Supporting Organizations</th>
<th>509(a)(3)</th>
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Figure 3. 501(c)(3) Organizations/Publicly Supported Charities and Other Nonprofit Organizations.


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.](image)

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. Struchkoff (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.

![Graph showing community foundation assets growth from 1981 to 1987.](image)


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.


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.² 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.

²The 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.3

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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3Although 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 nonprofit 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,
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" (Van Til, 1990, p. 3). Van Til continued that while a growing body of literature has been developing since the Filer Commission Report, 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.

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.

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.
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>
<thead>
<tr>
<th>Characteristic</th>
<th>Community foundation</th>
<th>For profit business</th>
<th>Government</th>
<th>Other charities</th>
<th>Private foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise annual $ from public voluntarily</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Must meet a public support test</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Makes grants/broad interests</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Cy Pres power</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Manage variety of funds</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Build endowment from many donors</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>No resource requirements (eventually)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Geographic limitations</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Full disclosure</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Subcontract charitable work</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Management tasks:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public relations</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Information processing</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Planning</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
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 (Hamack, 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,
### 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 subquestions 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.
<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Variables</th>
<th>Lawrence and Lorsch/Albrecht</th>
<th>Greiner</th>
</tr>
</thead>
</table>
| **ADMINISTRATIVE SYSTEM** | Does the administrative system of the community foundation change over time and size? | *Specialization of labor  
*Division of Labor  
*Span of Control  
*Hierarchical 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/Organizational 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)  

Figure 9. Comparison of Analytical Approaches to Organizational Systems.
<table>
<thead>
<tr>
<th>Administrative</th>
<th>Greiner</th>
<th>Downs</th>
<th>Miller and Friesen</th>
<th>Peters and Waterman</th>
<th>Council on Foundations Competency Guide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management Focus/Management Rewards Emphasis</td>
<td>Structural Functions</td>
<td>Decision Making Structure</td>
<td>Skills Structure</td>
<td>Management Structure/Finance/Personnel</td>
<td></td>
</tr>
<tr>
<td>System</td>
<td>Top Management Style/Organizational Structure</td>
<td>Social Functions</td>
<td>Shared value</td>
<td>Governance/Commitment</td>
<td>Policy</td>
</tr>
<tr>
<td>Control System</td>
<td>Control System</td>
<td>Strategy/Situation</td>
<td>Style Strategy</td>
<td>Mission and History Planning</td>
<td>Identities</td>
</tr>
</tbody>
</table>

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<table>
<thead>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Structural Functions</td>
<td>Decision Making Structure</td>
<td>Skills Structure</td>
<td>Management Structure/Finance/Personnel</td>
<td></td>
</tr>
<tr>
<td>Social Functions</td>
<td></td>
<td>Shared value</td>
<td>Governance/Commitment</td>
<td>Political allocation problems -- power and resources</td>
</tr>
<tr>
<td>Strategy/Situation</td>
<td>Style Strategy</td>
<td>Mission and History Planning</td>
<td>Ideologles and cultural mix -- shared values and beliefs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systems</td>
<td>Asset Development Grantmaking</td>
<td>Technical design problem -- arranging things for productive output</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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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.

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.

Figure 14. Modified Organizational Life Cycle Diagram.
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
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 routinizes 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)

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>
<thead>
<tr>
<th>Founding</th>
<th>(to)</th>
<th>Regional or National Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Number of Members (Constituents)</td>
<td>(to)</td>
<td>Extensive Number of Members (Constituents)</td>
</tr>
<tr>
<td>Small Budget and Staff</td>
<td>(to)</td>
<td>Extensive Budget and Staff</td>
</tr>
<tr>
<td>Small Board</td>
<td>(to)</td>
<td>Large Board</td>
</tr>
<tr>
<td>&quot;Executive Director&quot; (CEO)</td>
<td>(to)</td>
<td>&quot;President&quot; (CEO)</td>
</tr>
<tr>
<td>&quot;President&quot; (Board Chair)</td>
<td>(to)</td>
<td>&quot;Chair&quot; (Board Chair)</td>
</tr>
<tr>
<td>Board = Committee of Whole</td>
<td>(to)</td>
<td>Board with Effective Standing Committees</td>
</tr>
<tr>
<td>Founders = Board (No Turnover)</td>
<td>(to)</td>
<td>Directors Selected on Merit (Scheduled turn-over)</td>
</tr>
<tr>
<td>Directors serve as volunteers</td>
<td>(to)</td>
<td>Directors do not serve as volunteers</td>
</tr>
<tr>
<td>Directors represent constituencies</td>
<td>(to)</td>
<td>Directors serve at-large</td>
</tr>
<tr>
<td>Strong emotional commitment by Directors</td>
<td>(to)</td>
<td>Less emotional investment and more reliance on Directors expertise, skills, and influence</td>
</tr>
<tr>
<td>Directors neither raise funds nor give regularly</td>
<td>(to)</td>
<td>Directors give annually and raise funds</td>
</tr>
</tbody>
</table>

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
Figure 15. Life Cycle Stages by Subsystem.
Delegation  
Growth through Coordination  
Growth through Collaboration (Greiner, 1972)

Adaptive crisis of structure (Albrecht, 1983)

- Reduce Executive Burden/staff assistant (Deal, 1952)
- New function/staff specialist (Deal, 1952)
- Fully formalized with departments (Albrecht, 1983)
- Divisional structure (Albrecht, 1983)
- Grid or matrix structure based on product lines and geographic areas (Child in Nystrom, 1981)
- Formal, decentralized (Handy, 1979)

- Adaptive crisis of strategy (Albrecht, 1983)

- Coordinate management/group decision making (Deal, 1952)
- Determine degree of delegation/centralization (Deal, 1952)
- Elaborate support structures (Deal, 1952)
- Stable, bureaucratic (Wiener in Robey, 1986)
- Support staff eliminates staff and operating core of cadre of professionals (Wiener in Robey, 1986)
- Suborganizations (Handy, 1979)

- May face crisis of values (Albrecht, 1983)

- Informal teams (Fiesen in Robey, 1986)
- Becoming more conservative (Robey, 1986)
- Information systems become important (Robey, 1986)

- Multiple product lines and geographic markets (Child in Nystrom, 1981)
<table>
<thead>
<tr>
<th>Evolutionary Phase</th>
<th>Revolutionary Phase</th>
<th>Leadership</th>
<th>Autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creativity</td>
<td>1</td>
<td>Specialized departments develop</td>
<td>Formal structures and systems</td>
</tr>
<tr>
<td>Direction</td>
<td>2</td>
<td>One leader emerges</td>
<td>Power is delegated</td>
</tr>
<tr>
<td>Delegation</td>
<td>3</td>
<td>Budget manages the organization</td>
<td>Managers feel “span of control”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administrative System</th>
<th>Social System</th>
<th>Strategic System</th>
<th>Technical System</th>
<th>Crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collective response to a problem</td>
<td>Small band of entrepreneurs</td>
<td>Objective survival</td>
<td>One customer/one product</td>
<td>Must garner enough “extra” in people and financial resources to expand</td>
</tr>
<tr>
<td>members of the group have equal status</td>
<td>Little delegation</td>
<td>Niche marketing</td>
<td>Systems follow tasks that arise</td>
<td>Must pass through a “leadership” crisis, founders must allow a manager to become involved</td>
</tr>
<tr>
<td>Simple and centralized power - one entrepreneur or visionary leader</td>
<td>Cooperative spirit</td>
<td>Tactical planning to meet task demands</td>
<td>Closely related product lines</td>
<td>Crisis of control of delegated authority, must be willing to delegate</td>
</tr>
<tr>
<td>Simple administrative tasks</td>
<td>Small “in-group”</td>
<td>Early choices affect organizational imprinting</td>
<td>Multiple products</td>
<td>Specialists demand more autonomy</td>
</tr>
<tr>
<td>Few policies or procedures and simple budget</td>
<td></td>
<td>Learn by doing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small group</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>No differentiation of functions</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Founders technically oriented</td>
<td></td>
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| Figure 16. Life Cycle Stages by Organizational System: Outline of Characteristics. |
### Characteristics

<table>
<thead>
<tr>
<th>Development</th>
<th>Control</th>
<th>Red Tape</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formal structures and systems are built</strong></td>
<td><strong>Group decision-making</strong></td>
<td><strong>Staff assistant relieves administrative burden</strong></td>
</tr>
<tr>
<td><strong>Power is delegated</strong></td>
<td><strong>Elaborate support structures</strong></td>
<td><strong>Fully formalized departments</strong></td>
</tr>
<tr>
<td><strong>Managers feel &quot;span of control&quot; issues</strong></td>
<td><strong>Stable bureaucracy</strong></td>
<td><strong>Specialized product lines or geography</strong></td>
</tr>
<tr>
<td><strong>Rule enforcement added to values and tasks</strong></td>
<td><strong>Collegial style</strong></td>
<td><strong>Collegial style</strong></td>
</tr>
<tr>
<td><strong>Experience becomes translated into rules</strong></td>
<td><strong>Specialized product lines or geography</strong></td>
<td><strong>Collegial style</strong></td>
</tr>
<tr>
<td><strong>Organized by product or geography</strong></td>
<td><strong>Collegial style</strong></td>
<td><strong>Specialized product lines or geography</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Formalization</th>
<th>Development</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>More staff</strong></td>
<td><strong>Organized by product or geography</strong></td>
<td><strong>Growth rapidly</strong></td>
</tr>
<tr>
<td><strong>Meetings in halls, conference rooms</strong></td>
<td><strong>Experience becomes translated into rules</strong></td>
<td><strong>Growing rapidly</strong></td>
</tr>
<tr>
<td><strong>Regional leadership</strong></td>
<td><strong>Organized by product or geography</strong></td>
<td><strong>Growing rapidly</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specialized expertise</th>
<th>Development</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth rapidly</strong></td>
<td><strong>Organized by product or geography</strong></td>
<td><strong>Systems oriented</strong></td>
</tr>
<tr>
<td><strong>Simple plans, some forecasting</strong></td>
<td><strong>Growth rapidly</strong></td>
<td><strong>Specialized product lines or geography</strong></td>
</tr>
<tr>
<td><strong>Systematic growth</strong></td>
<td><strong>Organized by product or geography</strong></td>
<td><strong>Systems oriented</strong></td>
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<table>
<thead>
<tr>
<th>Id changes</th>
<th>Development</th>
<th>Control</th>
</tr>
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<tbody>
<tr>
<td><strong>Growing rapidly</strong></td>
<td><strong>Organized by product or geography</strong></td>
<td><strong>Multiple products</strong></td>
</tr>
<tr>
<td><strong>Simple plans, some forecasting</strong></td>
<td><strong>Growth rapidly</strong></td>
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</tr>
<tr>
<td><strong>Systematic growth</strong></td>
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<td><strong>Multiple products</strong></td>
</tr>
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<table>
<thead>
<tr>
<th>Growth phase</th>
<th>Development</th>
<th>Control</th>
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<tr>
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<td><strong>Multiple products</strong></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Crisis of control</th>
<th>Development</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crisis of control of delegated authority</strong></td>
<td><strong>Need for more control as delegated authority runs too far afield</strong></td>
<td><strong>Need for more control as delegated authority runs too far afield</strong></td>
</tr>
<tr>
<td><strong>Specialists demand more autonomy</strong></td>
<td><strong>Need for more structure and team work</strong></td>
<td><strong>Need for more structure and team work</strong></td>
</tr>
</tbody>
</table>

**Crisis of control of delegated authority, must be willing to delegate.**

**Specialists demand more autonomy.**

**Need for more control as delegated authority runs too far afield.**

**Need for more structure and team work.**

**Need to decide on strategy.**

**Crisis of red tape as procedures used to control become rigid systems.**

**Little research and development.**

**Statesman approach.**

**Innovating less.**

**Planning a way of life.**

**Information systems become important.**

**Very little conflict.**

**Sense of urgency lost.**

**Special meeting room for Board meetings.**

**Founders become removed from product.**

**Potential for manager to have more time.**

**Very little conflict.**

**Sense of urgency lost.**

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**Potential for manager to have more time.**
<table>
<thead>
<tr>
<th>4</th>
<th>Coordination</th>
<th>5</th>
<th>Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control</strong></td>
<td><strong>Red Tape</strong></td>
<td><strong>Group decision-making</strong></td>
<td><strong>Elaborate support structures</strong></td>
</tr>
<tr>
<td>• Staff assistant relieves administrative burden</td>
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<td>• Elaborate support structures</td>
<td></td>
</tr>
<tr>
<td>• Fully formalized departments</td>
<td>• Elaborate support structures</td>
<td>• Stable bureaucracy</td>
<td></td>
</tr>
<tr>
<td>• Specialized product lines or geography</td>
<td>• Stable bureaucracy</td>
<td>• Collegial style</td>
<td></td>
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<tr>
<td><strong>Control issues</strong></td>
<td><strong>Red Tape</strong></td>
<td>• Founders become removed from product</td>
<td></td>
</tr>
<tr>
<td>to values and</td>
<td>• Founders become removed from product</td>
<td>• Potential for manager to have more time</td>
<td></td>
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<td>related into rules</td>
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<td><strong>Founders rooms</strong></td>
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<td>• Potential for manager to have more time</td>
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<td><strong>Planning</strong></td>
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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.
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 not (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.


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>
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<th>Stage I: Characteristic of new, revitalizing, and first-generation foundations</th>
<th>Stage II: Characteristic of maturing foundations</th>
<th>Stage III: Mature</th>
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<tbody>
<tr>
<td></td>
<td>Grantmaking</td>
<td>Donor services</td>
<td>Community leadership &amp; grantmaking</td>
</tr>
<tr>
<td>Unrestricted/ designated funds</td>
<td>Prefers unrestricted, may suggest broader terms</td>
<td>Allows donor to choose, tends to draw designated</td>
<td>Actively seeks unrestricted</td>
</tr>
<tr>
<td>Permanent/ Pass-through</td>
<td>Prefers permanent but may seek program</td>
<td>Allows donor to choose</td>
<td>Seeks permanent though may hold community-wide temporary funds, may require pass-through to benefit endowment</td>
</tr>
<tr>
<td>Advised funds</td>
<td>If accepts, may restrict payout from principal; tries to influence grants</td>
<td>Actively encourages, including funds from companies, foundations, supporting organizations</td>
<td>Does not actively encourage, requires benefit to unrestricted endowment</td>
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<tr>
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<th>Growth rate</th>
<th>Principal marketing targets</th>
<th>Administrative costs</th>
<th>Visibility</th>
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<tr>
<td></td>
<td>Slow</td>
<td>Attorneys, bankers, financial planners, intermediaires</td>
<td>Low unless offers technical assistance</td>
<td>Grantees</td>
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<tr>
<td></td>
<td>Rapid</td>
<td>Diverse</td>
<td>Can be high relative to assets</td>
<td>Attorneys, bankers, financial planners</td>
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<tr>
<td></td>
<td>Moderate</td>
<td>Living donors, intermediaries, other grant-makers</td>
<td>Depends on project costs</td>
<td>Community leaders</td>
</tr>
<tr>
<td></td>
<td>Moderate to rapid</td>
<td>Diverse</td>
<td>High</td>
<td>Intermediaries/grantees</td>
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<tr>
<td></td>
<td>Moderate to rapid</td>
<td>Diverse</td>
<td>Moderate to high</td>
<td>Intermediaries/community</td>
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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 foun-
dation 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 Michi-
gan Foundations (CMF) files were then scanned to fill in. The final
list is a stratified set of cases with the number of cases in var-
ious 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 sam-
bles 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 +/- .25. Levels of confidence were reported +/- .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.
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>
<thead>
<tr>
<th>A - Theories</th>
<th>B - Research Questions</th>
<th>C - Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>List: Below</td>
<td>Do community foundations develop over time and size through a series of identifiable growth stages? If so, what are the characteristics of these stages?</td>
<td>Listed below</td>
</tr>
<tr>
<td><strong>Mechanistic School</strong></td>
<td><strong>Scientific Management</strong> (Administrative System)</td>
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<tr>
<td>A1</td>
<td>Does the administrative system of community foundations change over time and size? Is there a pattern to the change?</td>
<td>B1 Specialization of Labor Division of Labor Hierarchical Development Job Definition</td>
</tr>
<tr>
<td><strong>Behavioral Relations School</strong></td>
<td><strong>Social System</strong></td>
<td></td>
</tr>
<tr>
<td>A2</td>
<td>Does the social system of community foundations change over time and size? Is there a pattern to the change?</td>
<td>B2 Awareness of individuals/roles and numbers Interpersonal and interacting Relationships Complexity</td>
</tr>
<tr>
<td><strong>Systems Approach</strong></td>
<td><strong>Contingency Approach</strong> (Strategic System)</td>
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<tr>
<td>A3</td>
<td>Does the strategic system of community foundations change over time and size? Is there a pattern to the change?</td>
<td>B3 Organization's environment Growth related to mission</td>
</tr>
<tr>
<td><strong>Mathematic Modeling</strong></td>
<td><strong>Subsystem Analysis</strong> (Technical System)</td>
<td></td>
</tr>
<tr>
<td>A4</td>
<td>Does the technical system of community foundations change over time and size? Is there a pattern to the change?</td>
<td>B4 Asset size Grantmaking Leadership Fund Management</td>
</tr>
<tr>
<td><strong>Life cycle paradigm of organization growth</strong></td>
<td><strong>Growth Patterns</strong> (Greiner et al)**</td>
<td></td>
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<tr>
<td>Age</td>
<td>Do community foundations of different ages have different characteristics? Do these characteristics change in a predictable way over time?</td>
<td>B56 Changes over time</td>
</tr>
<tr>
<td>Size</td>
<td>Do community foundations of different asset sizes have different characteristics? Do these characteristics change in a predictable way as the foundation grows?</td>
<td>B56 Changes over size</td>
</tr>
<tr>
<td>Age and Asset Size Relationship</td>
<td>Is there a relationship between age and asset size?</td>
<td>B57 Relationship between age and an organization's size</td>
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<td>Periods of Evolution</td>
<td>Are there identifiable periods of stability in a community foundations growth history? Is so, what are the characteristics of these stable periods?</td>
<td>B58 Organizations alternate betwee periods of stability and instability</td>
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<tr>
<td>Periods of Revolution</td>
<td>Are there identifiable periods of instability in a community foundations growth history? Is so, what are the characteristics? Is there a pattern to the sequence of the revolutionary periods?</td>
<td>B59 Organizations alternate between periods of stability and instability</td>
</tr>
<tr>
<td>Environment</td>
<td>Do community foundations serving different size communities have different characteristics?</td>
<td>B60 Organizations adapt to their environment</td>
</tr>
</tbody>
</table>

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### Table 4
Research Overview

<table>
<thead>
<tr>
<th>C: Variables</th>
<th>D: Indicators</th>
<th>E: Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed below</td>
<td>Listed below</td>
<td>Regression analysis</td>
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<td>Total number (n) of staff</td>
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<td>Division of Labor</td>
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<td>Span of Control</td>
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<td>- of Program Officer Generalists</td>
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<td>Job Definition</td>
<td>- of Financial Support Specialists</td>
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<td># of Board Members</td>
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<td># of Grantmaking Meetings a year</td>
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<td>Hierarchical Development</td>
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<td>Relationship between age and an organization's size</td>
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<thead>
<tr>
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<tr>
<td><strong>C1</strong> Total number (#) of staff</td>
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<td><strong>C3</strong> Population of service area</td>
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<tr>
<td>- Leadership, donor service and grantmaking</td>
<td></td>
</tr>
<tr>
<td>- Fund Management - Types of Funds/# of funds</td>
<td></td>
</tr>
<tr>
<td>- # of grants</td>
<td></td>
</tr>
<tr>
<td>- Dollar value of grants paid</td>
<td></td>
</tr>
<tr>
<td>- # of grantmaking categories</td>
<td></td>
</tr>
<tr>
<td>- Frequency of grantmaking</td>
<td></td>
</tr>
<tr>
<td>- Leadership</td>
<td></td>
</tr>
<tr>
<td>- Special Project staff</td>
<td></td>
</tr>
<tr>
<td>- # of special project staff</td>
<td></td>
</tr>
<tr>
<td>- # of special project funds</td>
<td></td>
</tr>
<tr>
<td>- # of restricted</td>
<td></td>
</tr>
<tr>
<td>- # of field-directed</td>
<td></td>
</tr>
<tr>
<td>- # of donor advised</td>
<td></td>
</tr>
<tr>
<td>- # of designated</td>
<td></td>
</tr>
<tr>
<td>- Pooled income</td>
<td></td>
</tr>
<tr>
<td>- Agency endowment</td>
<td></td>
</tr>
<tr>
<td>- Manage private foundation</td>
<td></td>
</tr>
<tr>
<td>- Donor Deferred</td>
<td></td>
</tr>
<tr>
<td><strong>C4</strong> Assets</td>
<td></td>
</tr>
<tr>
<td>- Total assets</td>
<td></td>
</tr>
<tr>
<td>- Grantmaking</td>
<td></td>
</tr>
<tr>
<td>- # of grants</td>
<td></td>
</tr>
<tr>
<td>- Dollar value of grants paid</td>
<td></td>
</tr>
<tr>
<td>- # of grantmaking categories</td>
<td></td>
</tr>
<tr>
<td>- Frequency of grantmaking</td>
<td></td>
</tr>
<tr>
<td>- Leadership</td>
<td></td>
</tr>
<tr>
<td>- Special project funds</td>
<td></td>
</tr>
<tr>
<td>- # of special project staff</td>
<td></td>
</tr>
<tr>
<td>- # of restricted</td>
<td></td>
</tr>
<tr>
<td>- # of field-directed</td>
<td></td>
</tr>
<tr>
<td>- # of donor advised</td>
<td></td>
</tr>
<tr>
<td>- # of designated</td>
<td></td>
</tr>
<tr>
<td>- Pooled income</td>
<td></td>
</tr>
<tr>
<td>- Agency endowment</td>
<td></td>
</tr>
<tr>
<td>- Manage private foundation</td>
<td></td>
</tr>
<tr>
<td>- Donor Deferred</td>
<td></td>
</tr>
<tr>
<td><strong>C5</strong> Founding date</td>
<td></td>
</tr>
<tr>
<td>- Reporting date</td>
<td></td>
</tr>
<tr>
<td>- Age</td>
<td></td>
</tr>
<tr>
<td><strong>C6</strong> Total assets (in dollars)</td>
<td></td>
</tr>
<tr>
<td><strong>C7</strong> Age</td>
<td></td>
</tr>
<tr>
<td>- Asset size</td>
<td></td>
</tr>
</tbody>
</table>
| **C10** Community population size | | }

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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 +/- .25 are reported. The p level was established at +/- .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

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

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

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

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

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

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 sub-system, 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

<table>
<thead>
<tr>
<th>Assets (in millions)</th>
<th>Mixed form</th>
<th>Trust form</th>
<th>Corporate form</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>$0-4.9</td>
<td>0</td>
<td>--</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>5-9.9</td>
<td>1</td>
<td>7</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>10-19.9</td>
<td>2</td>
<td>15</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>20-49.9</td>
<td>5</td>
<td>33</td>
<td>4</td>
<td>27</td>
</tr>
<tr>
<td>50-99.9</td>
<td>5</td>
<td>42</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>100-499.9</td>
<td>7</td>
<td>58</td>
<td>0</td>
<td>--</td>
</tr>
<tr>
<td>500+</td>
<td>3</td>
<td>75</td>
<td>0</td>
<td>--</td>
</tr>
<tr>
<td>Total cases</td>
<td>23</td>
<td>15</td>
<td>49</td>
<td>87</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed form</td>
<td>13</td>
<td>8</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Trust form</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Corporate form</td>
<td>5</td>
<td>11</td>
<td>23</td>
<td>39</td>
</tr>
<tr>
<td>Total cases</td>
<td>22</td>
<td>24</td>
<td>26</td>
<td>72</td>
</tr>
</tbody>
</table>

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 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

<table>
<thead>
<tr>
<th>Variable</th>
<th>r</th>
<th>p</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age by population</td>
<td>.30</td>
<td>.0047</td>
<td>87</td>
</tr>
<tr>
<td>Assets by population</td>
<td>.67</td>
<td>.0001</td>
<td>87</td>
</tr>
</tbody>
</table>

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**

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

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

<table>
<thead>
<tr>
<th>Administration indicator</th>
<th>Age</th>
<th>Asset</th>
<th>No. of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>r</td>
<td>p</td>
<td>r</td>
</tr>
<tr>
<td>Total assets</td>
<td>.39</td>
<td>.0002</td>
<td>--</td>
</tr>
<tr>
<td>Dollar value of new gifts</td>
<td>.34</td>
<td>.0010</td>
<td>.62</td>
</tr>
<tr>
<td>Number of grants</td>
<td>.39</td>
<td>.0002</td>
<td>.60</td>
</tr>
<tr>
<td>Dollars of grants</td>
<td>.33</td>
<td>.0009</td>
<td>.81</td>
</tr>
<tr>
<td>Number of grant categories</td>
<td>.33</td>
<td>.0017</td>
<td>.13</td>
</tr>
<tr>
<td>Frequency of grantmaking</td>
<td>.27</td>
<td>.0115</td>
<td>.16</td>
</tr>
<tr>
<td>Administration indicator</td>
<td>Age</td>
<td>Asset</td>
<td>No. of cases</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----</td>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>Special project funds</td>
<td>-.20</td>
<td>-.26</td>
<td>88</td>
</tr>
<tr>
<td>Special project staff</td>
<td>.19</td>
<td>.62</td>
<td>86</td>
</tr>
<tr>
<td>Number of funds</td>
<td>.44</td>
<td>.69</td>
<td>85</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>.02</td>
<td>.03</td>
<td>88</td>
</tr>
<tr>
<td>Field-of-interest</td>
<td>.15</td>
<td>-.12</td>
<td>88</td>
</tr>
<tr>
<td>Donor-advised</td>
<td>.11</td>
<td>.08</td>
<td>88</td>
</tr>
<tr>
<td>Designated</td>
<td>.08</td>
<td>.07</td>
<td>88</td>
</tr>
<tr>
<td>Pooled income</td>
<td>.22</td>
<td>.30</td>
<td>88</td>
</tr>
<tr>
<td>Agency endowment</td>
<td>.03</td>
<td>.18</td>
<td>88</td>
</tr>
<tr>
<td>Private foundation</td>
<td>.01</td>
<td>.05</td>
<td>88</td>
</tr>
<tr>
<td>Donor depository</td>
<td>-.17</td>
<td>.01</td>
<td>89</td>
</tr>
<tr>
<td>Scholarships</td>
<td>.05</td>
<td>-.10</td>
<td>88</td>
</tr>
<tr>
<td>Program related investment</td>
<td>-.25</td>
<td>-.36</td>
<td>88</td>
</tr>
<tr>
<td>Administrative endowment</td>
<td>.06</td>
<td>-.15</td>
<td>88</td>
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<tr>
<td>Emergency funds</td>
<td>.14</td>
<td>-.12</td>
<td>86</td>
</tr>
<tr>
<td>Number of loans</td>
<td>.89</td>
<td>-.37</td>
<td>87</td>
</tr>
<tr>
<td>Dollar value of loans</td>
<td>.11</td>
<td>.24</td>
<td>87</td>
</tr>
</tbody>
</table>

**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, not withstanding their age or asset size. These funds are: unrestricted, field of
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4.9 mil</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>5-9.9</td>
<td>15</td>
<td>0</td>
<td>13</td>
<td>2</td>
<td>15</td>
<td>0</td>
<td>15</td>
<td>0</td>
<td>14</td>
<td>10</td>
<td>5</td>
<td>1</td>
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<tr>
<td>10-19.9</td>
<td>13</td>
<td>0</td>
<td>10</td>
<td>3</td>
<td>12</td>
<td>1</td>
<td>12</td>
<td>1</td>
<td>12</td>
<td>4</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>20-49.9</td>
<td>14</td>
<td>1</td>
<td>14</td>
<td>1</td>
<td>14</td>
<td>1</td>
<td>14</td>
<td>1</td>
<td>11</td>
<td>6</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>50-99.9</td>
<td>12</td>
<td>0</td>
<td>9</td>
<td>3</td>
<td>11</td>
<td>1</td>
<td>10</td>
<td>2</td>
<td>7</td>
<td>5</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>100-499.9</td>
<td>12</td>
<td>2</td>
<td>11</td>
<td>1</td>
<td>12</td>
<td>0</td>
<td>12</td>
<td>2</td>
<td>8</td>
<td>4</td>
<td>10</td>
<td>2</td>
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<td>500+</td>
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<td>4</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>88</td>
<td>1</td>
<td>75</td>
<td>14</td>
<td>84</td>
<td>5</td>
<td>83</td>
<td>6</td>
<td>24</td>
<td>65</td>
<td>46</td>
<td>43</td>
</tr>
</tbody>
</table>
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

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

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Table 14--Continued

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

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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 +/- .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

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

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

<table>
<thead>
<tr>
<th>Asset Categories</th>
<th>Number of Cases</th>
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<th>Mean</th>
<th>Standard Deviation</th>
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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

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<th>System Indicator</th>
<th>Type 1 (Assets 0-5 M)</th>
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Table 17—Continued

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<th>Type D Assets 20-50</th>
<th>Type E Assets 50-100</th>
<th>Type F Assets 100-500</th>
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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.

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Figure 18. Community Foundation Characteristics.
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•7 Board m aatlngi per year.
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•32 people lerve on the commltteaa.
•Tha foundation k a corporate, mixed
corporate and trust form.
•5 financial organization! handle the
foundation finances.
•6 Board meetings par year.
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•The Board o f Trustees ranges from
7-30 with an average o f 17.
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•A geographic affltate.
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•Serves a population of nearly 1 milSon.
•Embraces a l 3 strategic positions.

•Serves a population of approximately
$1.3mlllon.
•Embraces afi 3 strategic positions.

•Serves a population o f over 2
mMon.
•Embraces a l 3 strategic positions.

•Set
•Err

Assets
•Total assets SI0-20 million, average 14
million.
09fl9fJ*tYlS«
•Gifts received each year $1 million.
Grantmdrlna
•Number of grants made per year 183.
•Dollars given in grants per year SI .3
milBon.
•Grants given In 5 categories per year.
•Grants made 4 times per year.
Fmd Mm ooem ed
•Provide a tall range of funds with 89
funds being managed.
AS*
•37 years.

Assets
•Total assets S20-50 million, average 32
million.
P u n fliiitY lfi*
•Gifts each year average S7 million.
Grantmdrlna
•Number of grants made per year over
310.
•Dollars given In grants each year, $3.4
million.
•Grants given In 6 categories.
•Grants made 5 times per year.
Fund M a n o q fn frf
•Provide a full range of fund options
with about 130 funds being managed.

Assets
•Total assets $50-100 million, averages
69 mftBon.
Donor S ttY lct
•Gifts received each year $6 million.
GrontmddnQ
•Number of grants made per year 400.
•Dollars given in grants each year $.5
million.
•Number of grantmaklng categories 7.
•Grants made 6 times per year.
Field M flnooem efi
•Provide a full range o f fund options.
•287 fund managed
A fl!
•49 years.

Assets
•Assets $100-500 million, averages
147 million.

An*

Agt

Donor S ervice

•Gift* received each year $15 ml.,
dantm dtlng
•Number o f grants made each year
942.
•Dolors given In grants per year $9.8
million.
•Grants given in 7 categories per
year.
•Grants made 6 times per year.
leadership
•Special project hinds.
•2 special project staff people
Fund M c io g e m e n t

•Provides a full range of services.
•Manages 284 funds.
Age • 56 yean.

die Childhood

11•The
ore
•The
• 3 ST

•Serves a population of approximately
600,000.
•Embraces a l 3 strategic positions.

• 41 yean.

ctton«
f-tlme paid professional staff,
ard beings to shrink,
ireaslng technical complexity.

•The

Late Childhood
D elegation*
•More than one fuIJ-Hme paid
professional.
•Board continues to shrink In size.
•Technical system continues to grow.

A utom om y:
•M o v e m e n t to m o re th a n o n e
professional a n d n e e d to
d e le g a te responsibility.

Late Adolescence

Early Adolescence

Refined Specialization ■
•Support staff positions become
specialzed.
•Board continues to shrink.
•More organizations.
•Technical system continues to grow.

Earty Specialization *
•Continued delegation os staff grows
In initial speciality areas.
•Speciality areas more organizational
components.
•Technical system continues to grow.

Specialization:
.In lta l s ta ll specialists re q u ire m o re
a u to n o m y .

Replication:
•Tasks c o n tin u e to g ro w In n u m b e r
b u t n o t In c om plexity.

Early Maturity

V

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Earty Maturity *
•Paid op era Hons and support
professionals with more than one per
area.
•More complex organization.
•Technical system complex.

O rg an iza tio n a l D e p th :
•O rg a n iz a tio n d e e p e n s a n d P rogram
O fficers b e g in to s p ec laize .

•A *

ml
Dor
•G i

Co

•M
P<
Pi
• Sr

•C

M a tu re Professionalism:
• AR tasks w ith profeslon<
• l a r g e , c o m p le x system


Early Adolescence

- Size: 1
- Milestone: New specialty
- Refined Specialization =
- Support staff positions become specialized.
- Staff continue to shrink.
- More organizations.
- Technical system continues to grow.
- Early Maturity =
- Paid operations and support positions can be handled by less people.
- More complex organization.
- Technical system complex.
- Collaborations =
- More than one professional staff person is required in specialized areas.
- Program Officers specialized.
- Small board.
- Complex technical system.

Early Maturity

- Organizational Death =
- Organization begins to decline.
- Early specialization begins to grow.
- More complex organization.
- Technical system continues to grow.
- Motive Professionalism =
- More support with professional specialists.
- Large, complex system.

Full Maturity

- Paid staff from 0-31 with an average of 15.
- Paid staff range from 6 to 31 with an average of 19.
- Staff members are most likely to be in an Executive Director, a Communications Specialist, a Program Officer, or a Financial Support Specialist.
- The Executive Director supervises 4 staff members with 2 levels in the hierarchy.
- The administrative budget averages $9,000,000.
- The Board of Trustees range from 5-36 with an average of 18.
- The foundation has 2 organizations.
- The Board of Trustees averages 11 staff members.
- The foundation is in mixed, hybrid, or corporate form.
- There are 2 organizations in the foundation.
- A geographic affiliate.
- The Board of Trustees has 2 organizational affiliations.
- The Board of Trustees has 2 advisory committees.
- The Board of Trustees has 6 people involved.
- The Board of Trustees has 3 geographic affiliations.
- The Board of Trustees has 5 advisory committees.
- The Board of Trustees has 7 people involved.
- The Board of Trustees has 7 geographic affiliations.
- The Board of Trustees has 5 advisory committees.
- The Board of Trustees has 15 people involved.
- The Board of Trustees has 10 geographic affiliations.
- The Board of Trustees has 7 advisory committees.
- The Board of Trustees has 25 people involved.
- The Board of Trustees has 10 geographic affiliations.
- The Board of Trustees has 7 advisory committees.
- The Board of Trustees has 30 people involved.
- The Board of Trustees has 25 geographic affiliations.
- The Board of Trustees has 50 advisory committees.
- The Board of Trustees has 150 people involved.
- The Board of Trustees has 25 geographic affiliations.
- The Board of Trustees has 50 advisory committees.
- The Board of Trustees has 150 people involved.
- The Board of Trustees has 25 geographic affiliations.
- The Board of Trustees has 50 advisory committees.
- The Board of Trustees has 150 people involved.
- The Board of Trustees has 25 geographic affiliations.
- The Board of Trustees has 50 advisory committees.
- The Board of Trustees has 150 people involved.
- The Board of Trustees has 25 geographic affiliations.
- The Board of Trustees has 50 advisory committees.
- The Board of Trustees has 150 people involved.
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-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.
### Infancy

- **Assets**: $0-499,999.99 thousand

#### Administrative System
- Volunteer group organizing the foundation - no staff.
- Initially the group operates as a committee of the whole, organizing into subcommittees after the Bylaws are adopted.
- No hierarchy except for the committee structure of the Board.
- No personnel policies.
- Limited administrative budget (for brochures and legal/accounting fees).

#### Social System
- Small original group expands to about 20 as the Board becomes organized.
- One organization.
- No advisory committees.
- Corporate form.
- Board meets at least monthly (if not more frequently) for education and organizing decisions.
- No annual report.

#### Strategic System
- Original population to be served is a specific community which may be expanded as trustees learn more about community foundations.
- Primary mission is donor service or leadership or grantmaking until the trustees learn more about community foundations.

#### Technical System
- **Assets**: $0-500,000.
- **Donor Service**: Provides basic fund options: unrestricted, field-of-interest, donor-advised, designated.
- **Gifts under $500,000**.

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

#### Fund Management
- Under 10 funds under management.

#### Age
- Under 2 years.

---

### Early Childhood

- **Assets**: $500,000 - 4.9 million

#### Administrative System
- An all volunteer or paid staff ranging from 0-6 members with an average of 2 staff members.
- Staff members are most likely to be an Executive Director and either a Program Officer serving as a generalist or a General Support/Clerical person.
- The Executive Director supervises 1 staff member.
- The administrative budget averages $100,000.
- Personnel policies are just starting to be developed.
- This period is typified by the establishment of office, hours, rudimentary policies and procedures, minutes of Board meetings, and basic administrative systems.

#### Social System
- 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.

#### Strategic System
- Serves a population of under 350,000 people.
- Embraces a mission of donor service, grantmaking, and community leadership.

#### Technical System
- **Assets**: Total assets $500,000 - 5 million, average 2.5 mil.
- **Donor Service**: Annual gifts average approximately $400,000.
- **Grantmaking**: Number of grants made each year 55.
- Dollars given in grants under $176,000 per year.
- Number of categories of grantmaking - 4.
- Grants made 3 times per year.
- Some special project funds.
- **Fund Management**: Provide a full range of funds under management except donor depository and pooled income funds with 33 funds being managed.

#### Age
- 16 years.

---

Figure 19. Infancy and Early Childhood Characteristics.

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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.
Mean Number of Staff Supervised

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.

Mean Number of Level of Hierarchy

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
Mean Level of Sophistication of Policies

![Graph showing the mean level of sophistication of policies against asset levels.](image)

**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
Figure 25. Number of Board Members.

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.

![Graph of Mean Number of Affiliates vs 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 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
Mean Number of Supporting Foundations

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 30. Supporting Foundations by Assets.

Number of Advisory Committees

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.
Number of Advisory Committee 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 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.
Number of Advisory 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 33. Number of Financial Institutions.

Number of Pages in Annual Report

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.
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.
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.

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.
Mean Number of Special Project Funds

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.

Mean Number of Special Project Staff

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.

![Mean Number of Funds](image)

**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 check in the column next to the box that best describes your current status. This provides a picture of your relationship to peer organizations.

### SYSTEM

<table>
<thead>
<tr>
<th>SYSTEM</th>
<th>Infant &amp; Early Childhood ($0-4.9 m)</th>
<th>Middle Childhood ($5-9.9 m)</th>
<th>Late Childhood ($10-19.9 m)</th>
<th>Early Adolescence ($20-49.9 m)</th>
<th>Late Adolescence ($50-99.9 m)</th>
<th>Early Maturity ($100-499.9 m)</th>
<th>Full Maturity ($500 m+)</th>
</tr>
</thead>
</table>

#### Administrative System

<table>
<thead>
<tr>
<th>Administrative System</th>
<th>Volunteer or Paid Staff</th>
<th>Special Project Staff</th>
<th>Program Officer Specialists</th>
<th>Program Officer Generalist</th>
<th>Financial Support Staff</th>
<th>General Officer Support</th>
<th>Marketing/Donor Relations Specialist</th>
<th>Communication Staff Specialist</th>
<th>Number of People in the Office of the President, CEO</th>
<th>Number of People Supervised by the President</th>
<th>Personnel Policies</th>
<th>Levels of Hierarchy</th>
<th>Administrative Budget</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Range 0-6 Average 2</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-5 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>No personnel policies or very simple agreement</td>
<td>Range 0-6 Average 2</td>
<td>Range $1,724,216.0 Average $84,000</td>
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<tr>
<td></td>
<td>Range 1-7 Average 3</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Letter of agreement or individual contracts with staff</td>
<td>Range 0-6 Average 2</td>
<td>Range $80,000-294 Average $16,500</td>
</tr>
<tr>
<td></td>
<td>Range 2-8 Average 4</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Brief and basic personnel policies</td>
<td>Range 0-6 Average 2</td>
<td>Range $50,000-294 Average $16,500</td>
</tr>
<tr>
<td></td>
<td>Range 6-11 Average 19</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Brief and basic personnel policies</td>
<td>Range 0-6 Average 2</td>
<td>Range $595,000-675 Average $250,000</td>
</tr>
<tr>
<td></td>
<td>Range 1-2 Average 19</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Formal written and somewhat detailed policies</td>
<td>Range 0-6 Average 2</td>
<td>Range $1,240,000-294 Average $95,000</td>
</tr>
<tr>
<td></td>
<td>Range 1-3 Average 5</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Formal staff handbook</td>
<td>Range 0-6 Average 2</td>
<td>Range $10,000,000-294 Average $71,500</td>
</tr>
<tr>
<td></td>
<td>Range 1-7 Average 5</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Formal written and somewhat detailed policies</td>
<td>Range 0-6 Average 2</td>
<td>Range $1,862,256-234 Average $11,750</td>
</tr>
<tr>
<td></td>
<td>Range 1-8 Average 5</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Formal written and somewhat detailed policies</td>
<td>Range 0-6 Average 2</td>
<td>Range $310,000-1,000 Average $51,000</td>
</tr>
<tr>
<td></td>
<td>Range 1-10 Average 5</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-1 Average 1</td>
<td>Range 0-3 Average 1</td>
<td>Range 0-2 Average 1</td>
<td>Range 0-4 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Range 1-2 Average 1</td>
<td>Formal written and somewhat detailed policies</td>
<td>Range 0-6 Average 2</td>
<td>Range $51 m-4 m Average 53 m</td>
</tr>
</tbody>
</table>

**Figure 44.** Self-Assessment Checklist.
**Figure 44--Continued**

<table>
<thead>
<tr>
<th>SYSTEM</th>
<th>Infant &amp; Early Childhood ($0-4.9 m)</th>
<th>Middle Childhood ($5-9.9 m)</th>
<th>Late Childhood ($10-19.9 m)</th>
<th>Early Adolescence ($20-49.9 m)</th>
<th>Late Adolescence ($50-99.9 m)</th>
<th>Early Maturity ($100-499.9 m)</th>
<th>Full Maturity ($500+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Geographic Affiliates</td>
<td>Range: 0-5 Average: &lt;1</td>
<td>Range: 0-4 Average: &lt;1</td>
<td>Range: 0-3 Average: &lt;1</td>
<td>Range: 0-10 Average: 2</td>
<td>Range: 0-13 Average: 2</td>
<td>Range: 1-10 Average: 3</td>
<td>Range: 1-3 Average: 2</td>
</tr>
<tr>
<td>Number of Advisory Committees</td>
<td>Range: 0-8 Average: 1</td>
<td>Range: 0-12 Average: 6</td>
<td>Range: 0-13 Average: 2</td>
<td>Range: 0-14 Average: 3</td>
<td>Range: 0-24 Average: 5</td>
<td>Range: 0-35 Average: 8</td>
<td>Range: 8-11 Average: 3</td>
</tr>
<tr>
<td>Number of Advisory Committee Members</td>
<td>Range: 0.5 Average: 9</td>
<td>Range: 0.2 Average: 37</td>
<td>Range: 0.4 Average: 12</td>
<td>Range: 0.6 Average: 32</td>
<td>Range: 0.17 Average: 45</td>
<td>Range: 0.32 Average: 68</td>
<td>Range: 0.53 Average: 16</td>
</tr>
<tr>
<td>Legal Form</td>
<td>Corporate</td>
<td>Corporate</td>
<td>Corporate</td>
<td>Corporate or Mixed</td>
<td>Corporate or Mixed</td>
<td>Corporate or Mixed</td>
<td>Mixed</td>
</tr>
<tr>
<td>Number of Trustee Banks</td>
<td>Range: 1-6 Average: 3</td>
<td>Range: 2-14 Average: 5</td>
<td>Range: 2-11 Average: 5</td>
<td>Range: 1-10 Average: 5</td>
<td>Range: 1-12 Average: 6</td>
<td>Range: 1-20 Average: 5</td>
<td>Range: 5-17 Average: 9</td>
</tr>
<tr>
<td>Number of Board Meetings per Year</td>
<td>Range: 2-12 Average: 6</td>
<td>Range: 2-12 Average: 6</td>
<td>Range: 4-12 Average: 6</td>
<td>Range: 4-11 Average: 7</td>
<td>Range: 4-12 Average: 7</td>
<td>Range: 4-11 Average: 6</td>
<td>Range: 4-7 Average: 5</td>
</tr>
<tr>
<td>Number of Governing Meetings per Year</td>
<td>Range: 1-6 Average: 3</td>
<td>Range: 1-5 Average: 3</td>
<td>Range: 2-6 Average: 4</td>
<td>Range: 2-10 Average: 5</td>
<td>Range: 3-12 Average: 6</td>
<td>Range: 3-12 Average: 6</td>
<td>Range: 4-6 Average: 5</td>
</tr>
</tbody>
</table>

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### Strategic System

<table>
<thead>
<tr>
<th>Mission, Leadership and Donor Service</th>
<th>Mission, Leadership and Donor Service</th>
<th>Mission, Leadership and Donor Service</th>
<th>Mission, Leadership and Donor Service</th>
<th>Mission, Leadership and Donor Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range 14,000-1.1 mil</td>
<td>Range 150,000-7 mil</td>
<td>Range 100,000-2 mil</td>
<td>Range 200,000-3.7 mil</td>
<td>Range 200,000-3.7 mil</td>
</tr>
<tr>
<td>Average 350,000</td>
<td>Average 1 mil</td>
<td>Average 1.1 mil</td>
<td>Average 1.3 mil</td>
<td>Average 1.3 mil</td>
</tr>
</tbody>
</table>

### Technical System

<table>
<thead>
<tr>
<th>Total Assets</th>
<th>Number of Grants Made</th>
<th>Dollars Paid each Year</th>
<th>Number of Grantmaking Categories</th>
<th>Frequency of Grantmaking each Year</th>
<th>Dollar Value of Gifts Received Annually</th>
<th>Age In Years</th>
<th>Number of Funds Managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range 540,000-5 mil Average 2 mil</td>
<td>Range 0.184 Average 55</td>
<td>Range 55-750,000 Average 176,863</td>
<td>Range 0.4 Average 4</td>
<td>Range 1-6 Average 3</td>
<td>Range 513,000-1.7 mil Average 540,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range 525,000-5.5 mil Average 6.9 mil</td>
<td>Range 24-302 Average 121</td>
<td>Range 526,000-1.0 mil Average 632,153</td>
<td>Range 0.7 Average 5</td>
<td>Range 1-5 Average 3</td>
<td>Range 51,000-9.0 mil Average 1.7 mil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range 510-19.5 mil Average 14.3 mil</td>
<td>Range 134-95 Average 183</td>
<td>Range 510,000-21 mil Average 3.4 mil</td>
<td>Range 0.8 Average 5</td>
<td>Range 2-5 Average 4</td>
<td>Range 51,000-30 mil Average 5.4 mil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range 522-6-45 mil Average 2.7 mil</td>
<td>Range 30-1,177 Average 462</td>
<td>Range 550-37.5 mil Average 8.5 mil</td>
<td>Range 0-11 Average 6</td>
<td>Range 3-12 Average 6</td>
<td>Range 52,000-28 mil Average 15.4 mil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range 550-43 mil Average 69 mil</td>
<td>Range 105-1,177 Average 462</td>
<td>Range 570-31.5 mil Average 8.5 mil</td>
<td>Range 4-9 Average 7</td>
<td>Range 3-12 Average 6</td>
<td>Range 520-000 mil Average 10.4 mil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range 552-000 mil Average 621 mil</td>
<td>Range 450-249 Average 1,159</td>
<td>Range 596,000-21 mil Average 9.8 mil</td>
<td>Range 5-9 Average 6</td>
<td>Range 4-6 Average 5</td>
<td>Range 59,000-9.0 mil Average 30.6 mil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range 570-31.5 mil Average 8.5 mil</td>
<td>Range 550-43 mil Average 69 mil</td>
<td>Range 550-37.5 mil Average 8.5 mil</td>
<td>Range 5-11 Average 6</td>
<td>Range 3-12 Average 6</td>
<td>Range 55,000-28 mil Average 10.4 mil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range 552-000 mil Average 621 mil</td>
<td>Range 450-249 Average 1,159</td>
<td>Range 596,000-21 mil Average 9.8 mil</td>
<td>Range 5-11 Average 6</td>
<td>Range 3-12 Average 6</td>
<td>Range 55,000-28 mil Average 10.4 mil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range 570-31.5 mil Average 8.5 mil</td>
<td>Range 550-43 mil Average 69 mil</td>
<td>Range 550-37.5 mil Average 8.5 mil</td>
<td>Range 5-11 Average 6</td>
<td>Range 3-12 Average 6</td>
<td>Range 55,000-28 mil Average 10.4 mil</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Figure 44--Continued

<table>
<thead>
<tr>
<th>Stage of Evolution</th>
<th>Infancy &amp; Early Childhood ($0-4.9 m)</th>
<th>Middle Childhood ($5-9.9 m)</th>
<th>Late Childhood ($10-19.9 m)</th>
<th>Early Adolescence ($20-49.9 m)</th>
<th>Late Adolescence ($50-99.9 m)</th>
<th>Early Maturity ($100-499.9 m)</th>
<th>Full Maturity ($500+ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage of Infancy</td>
<td>This is the organic and highly creative stage of vision, energy and entrepreneurial spirit. The community foundation is composed of volunteers, is technically immature, and needs to begin adding organizational boundaries and differentiating tasks to be accomplished. Early Childhood is the period of early organization noted by the initiation of a staff role, either paid or unpaid. The basic technical components of the foundation are in place and staff begins to add policies and procedures. During this period more staff members are hired to fill specialized roles in program, finance and secretarial support. The foundation continues to add more work in the categories initially established by the foundation. This organization has more than one paid professional for several of the major functions. The Board continues to shrink in size while the staff grows. Functions continue to grow through replication rather than major organization changes. The organization continues to add more work of the same type—more grants, more funds, etc. The staff grows further, but slowly. In this stage the staff specialization becomes more refined. Support staff become specialized with, for example, a secretary for each department. The number of trustees continues to decline while the size of the technical system continues to grow. A marketing or donor relations professional is often added. This is the first stage of the fully mature, professional organization. Many different staff professionals provide leadership and each department employs several people. The trustee members have shrunk, the organization has more component parts and the tasks continue to grow. This organization is very professional with program officer specialists and a high degree of diversification of staff. Boundary spanning roles (marketing and communication) are common with more than one professional in these roles. The trustees are at the smallest number. Special projects are operated by the foundation and specialized coordinating functions exist for financial support and management information.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Figure 44--Continued

<table>
<thead>
<tr>
<th>Stage of Revolution</th>
<th>Infancy</th>
<th>Middle Childhood ($5-9.9 m)</th>
<th>Late Childhood ($10-19.9 m)</th>
<th>Early Adolescence ($20-49.9 m)</th>
<th>Late Adolescence ($50-99.9 m)</th>
<th>Early Maturity ($100-499.9 m)</th>
<th>Full Maturity ($500+ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>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. <strong>Early Childhood Movement from the casual staff person, half-time or volunteer, requires numerous changes which formalize the organization.</strong> 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.</td>
<td>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.</td>
<td>Specialized staff continues to request more autonomy. Change is incremental rather than abrupt.</td>
<td>Continued delegation of tasks to staff professionals. More organizational components begin to require further coordination of work.</td>
<td>This period ends as the program officers begin to take on some specialty areas and the departments have multiple staff. The task is to keep the deepened hierarchical structure organized.</td>
<td>The task at this age is to manage staff growth and to appropriately add personnel and coordinate work.</td>
<td>Unknown at this time</td>
<td></td>
</tr>
</tbody>
</table>

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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.
Appendix A

Miller and Friesen Synthesis of Life Cycle Theories

**Miller and Friesen Synthesis of Life Cycle Theories**

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<thead>
<tr>
<th></th>
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<tr>
<td>• Small firm</td>
<td>• Informal structure</td>
<td>• Considerable innovation in product lines</td>
<td></td>
</tr>
<tr>
<td>• Young</td>
<td>• Undifferentiated</td>
<td>• Niche Strategy</td>
<td></td>
</tr>
<tr>
<td>• Dominated by owner-manager</td>
<td>• Power highly centralized</td>
<td>• Substantial risk taking</td>
<td></td>
</tr>
<tr>
<td>• Homogeneous, placid environment</td>
<td>• Clude information processing &amp; decision methods</td>
<td></td>
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</thead>
<tbody>
<tr>
<td>• Medium sized</td>
<td>• Some formalization of structure</td>
<td>• Broadening of product-market scope into closely related areas</td>
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<tr>
<td>• Older</td>
<td>• Functional basis of organization</td>
<td>• Incremental innovation in product lines</td>
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<tr>
<td>• Multiple shareholders</td>
<td>• Moderate differentiation</td>
<td>• Rapid Growth</td>
<td></td>
</tr>
<tr>
<td>• More heterogeneous competitive environment</td>
<td>• Somewhat less centralized</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Initial development of formal information processing and decision making methods</td>
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</thead>
<tbody>
<tr>
<td>• Larger</td>
<td>• Formal, bureaucratic structure</td>
<td>• Consolidation of product-market strategy</td>
<td></td>
</tr>
<tr>
<td>• Still older</td>
<td>• Functional basis of organization</td>
<td>• Focus on efficiently supplying a well-defined market</td>
<td></td>
</tr>
<tr>
<td>• Dispersed ownership</td>
<td>• Moderate differentiation</td>
<td>• Converatism</td>
<td></td>
</tr>
<tr>
<td>• Competitive and still more heterogeneous environment</td>
<td>• Moderate centralization</td>
<td>• Slower growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Information processing and decision making as in growth phase</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Revival Phase: (cf. Scott’s (1971) Stage 3, Greiner’s Coord’n Stage, Quinn &amp; Cameron’s (1983) Elaboration of Structure Stage)</th>
<th>Situation</th>
<th>Organization</th>
<th>Innovation &amp; Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Very large</td>
<td>• Divisional basis of organization</td>
<td>• Strategy of product-market diversification, movement into some unrelated markets</td>
<td></td>
</tr>
<tr>
<td>• Environment very heterogeneous, competitive and dynamic</td>
<td>• High differentiation</td>
<td>• High level of risk taking &amp; planning</td>
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<tr>
<td></td>
<td>• Sophisticated controls, scanning and communications in info. processing; more formal analysis in decision making</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Substantial innovation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rapid growth</td>
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</thead>
<tbody>
<tr>
<td>• Market size</td>
<td>• Formal, bureaucratic structure</td>
<td>• Low level of innovation</td>
<td></td>
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<tr>
<td>• Homogeneous and competitive environment</td>
<td>• Mostly functional basis for organization</td>
<td>• Price cutting</td>
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<tr>
<td></td>
<td>• Moderate differentiation and centralization</td>
<td>• Consolidation of product-market</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Less sophisticated info. processing systems and decision making methods</td>
<td>• Liquidation of subsidiaries</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Risk aversion &amp; conservatism</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Slow growth</td>
<td></td>
</tr>
</tbody>
</table>

(Miller and Friesen, 1984)
Appendix B

Handy Outline of Life Cycle Growth

Handy Growth Model

(Handy, 1979)
Appendix C

Council on Foundations Membership List, 1989
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 Rough 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

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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
Pittsburgh 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
### List of Community Foundations Selected by Random Sample

<table>
<thead>
<tr>
<th>Selected</th>
<th>Cases Participated in Study</th>
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<tbody>
<tr>
<td>1. Abilene</td>
<td>1</td>
</tr>
<tr>
<td>2. Albuquerque</td>
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<tr>
<td>3. Aurora</td>
<td>3</td>
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<tr>
<td>4. Baton Rough</td>
<td>No</td>
</tr>
<tr>
<td>5. Berkshire-Taconic</td>
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<td>6. Boston</td>
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<td>7. Bridgeport</td>
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<tr>
<td>8. Buffalo</td>
<td>6</td>
</tr>
<tr>
<td>9. Cambridge</td>
<td>No</td>
</tr>
<tr>
<td>10. Cape Fear</td>
<td>No</td>
</tr>
<tr>
<td>11. Cedar Rapids</td>
<td>No</td>
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<tr>
<td>12. Central New York</td>
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</tr>
<tr>
<td>13. Chautauqua</td>
<td>No</td>
</tr>
<tr>
<td>14. Cincinnati</td>
<td>8</td>
</tr>
<tr>
<td>15. Costal Bend</td>
<td>No</td>
</tr>
<tr>
<td>16. Columbus</td>
<td>9</td>
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<tr>
<td>17. Cumberland</td>
<td>No</td>
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<td>18. Davenport</td>
<td>No</td>
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<tr>
<td>19. Denver</td>
<td>10</td>
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<tr>
<td>20. East Bay</td>
<td>11</td>
</tr>
<tr>
<td>21. Erie</td>
<td>12</td>
</tr>
<tr>
<td>22. Five Town</td>
<td>13</td>
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<td>23. Fort Collins</td>
<td>14</td>
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<tr>
<td>24. Foundation for Carolinas</td>
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<tr>
<td>25. Fresno</td>
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<tr>
<td>26. Grant County</td>
<td>No</td>
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<tr>
<td>27. Greenville</td>
<td>No</td>
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<td>28. Hamilton</td>
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<td>29. Hartford</td>
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<td>30. Heritage Fund</td>
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<td>31. Indianapolis</td>
<td>18</td>
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<td>32. Kanawha Valley</td>
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<td>33. Lancaster</td>
<td>No</td>
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<td>34. Lorain</td>
<td>20</td>
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<td>35. Madison</td>
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<td>36. Memphis-Plough</td>
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<td>37. Mid-Nebraska</td>
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<td>44. Northern New York</td>
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<td>45. Oklahoma City</td>
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<td>46. Oregon</td>
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<td>47. Palm Beach</td>
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<td>48. Peninsula</td>
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<td>49. Martha’s Vineyard</td>
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<td>Philadelphia</td>
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<td>Watertown, S.D.</td>
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<td>Wayne</td>
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<td>70.</td>
<td>Western North Carolina</td>
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<tr>
<td>71.</td>
<td>Winston Salem</td>
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<tr>
<td>72.</td>
<td>Youngstown</td>
</tr>
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</table>

N = 72

N = 43
Randomly Selected Community Foundations by Asset Size

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
Assets $1 - 5 million = 6
1. Albuquerque
2. Heritage Fund
3. Ashland
4. Fort Collins
5. Munci-Delaware
6. Five Town

Assets Under $1 million = 3
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)

**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

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### 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)

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
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

### 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

<table>
<thead>
<tr>
<th>Case Studies</th>
<th>Assets</th>
<th>1992 Age</th>
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<tbody>
<tr>
<td>1. The Kalamazoo Foundation</td>
<td>$100 million</td>
<td>70 years</td>
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<tr>
<td>2. The Muskegon County Community Foundation</td>
<td>24 million</td>
<td>25 years</td>
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<tr>
<td>3. The Grand Haven Area Community Foundation</td>
<td>5 million</td>
<td>20 years</td>
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<tr>
<td>4. The Cadillac Area Community Foundation</td>
<td>1 million</td>
<td>4 years</td>
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<td>5. The Hillsdale County Community Foundation</td>
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</table>

Community Foundation Analysis

The Cleveland Foundation $500 million + 75 years
Appendix F

Sample Survey
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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3862P/17
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