



FUNDING FOUNDATIONS

**REPORT ON FORD FOUNDATION
SUPPORT OF GRANTMAKING
INSTITUTIONS, 1975 TO 2001**

FORD FOUNDATION



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The Ford Foundation is one of the few foundations that awards general purpose grants to enlarge the giving power of other foundations. Our history of support for other foundations began in 1960, with grants to community and regional foundations in Cleveland, Kansas City, and Texas. Since the early 1960's, the Ford Foundation has had experience making grants to other foundations in all regions of the world.

The Foundation is grateful to Laurie Regelbrugge for writing, and to Sally Kohn and Wendy Malina for editing, this most recent account of a large body of our experience, in which the Ford Foundation invested over \$100 million in 44 foundations in this country and abroad through several major initiatives spanning the last quarter of the twentieth century:

■ **The Leadership Program for Community Foundations**, which assisted 27 community foundations in all regions of the U.S. between 1982-1995, a period of rapid expansion in the number of these public charities established for the permanent benefit of a community. The Council on Foundations reports that there are now some 650 community foundations in this country, in all 50 states, with combined assets of about \$35 billion. A primary goal of the 13-year Ford initiative was to increase the community foundations' assets to the "tipping point" level of at least \$10 million, through financial and technical assistance, networking, peer exchanges, conferences and other learning activities.

■ **The Rural Development and Community Foundation Initiative** had objectives and activities similar to those of the 27-site Leadership program, but was directed especially at boosting the capacity of eight U.S. foundations, mostly serving rural areas, between 1993-2001. (Five of these had previously participated in the Leadership Program for Community Foundations).

With the Ford Foundation's seminal support for the Puerto Rico Community Foundation in 1985, we began to devote increasing attention to advancing philanthropy in the global South. Most of the other foundations discussed in this report are in those areas:

■ **The Africa Philanthropy Initiative** was designed to increase knowledge and capacity among five newly created African foundations through technical assistance, convenings, peer learning, and networking.

■ **Ms. Regelbrugge's report** also details Ford's experience between 1975-2001 in helping to bring about the creation or provide other forms of significant support for nine foundations, including the Puerto Rico Community Foundation and six others in Eastern Europe and South and Southeast Asia.

The period covered by this report has been a time of unprecedented growth in organized philanthropy in the U.S. and around the world. In this country, according to the Foundation Center, about two-thirds of



all grantmaking foundations now in existence were created after 1979. Internationally, before 1994, according to the Worldwide Initiative for Grantmaker Support, there were only a few community foundations outside of North America and the U.K. Now, there are approximately 525 community foundations in 45 countries other than the U.S. The emergence of community and other organized foundations as important philanthropic actors in the U.S. and elsewhere has presented an opportunity for the Ford Foundation to leverage our resources by working with them as local partners.

This report, commissioned by Ford's worldwide staff Philanthropy Learning Group, notes the complexities of helping to launch or strengthen other philanthropies, particularly those in the global South. Ms. Regelbrugge concludes that, in terms of outcomes among this group, resource mobilization has been "spottier" than among the leadership and rural community foundation initiatives in the U.S., a result that she attributes to conditions such as low wealth, unsupportive or hostile legal and regulatory frameworks, and limited knowledge about organized philanthropy. The report also finds that "it takes ten to twenty years of focused effort to build effective, local foundations." This may be a conservative estimate when applied to new philanthropies with broader scopes, a number of which are included among the more recent recipients of Ford support.

The Ford Foundation's interest in working patiently for a long time with locally-rooted and controlled foundations in the developing world is spurred by our belief that they can be effective partners for shared interests. They can locate and support causes and organizations that might escape the attention of New York-based grant-makers. They can also be useful vehicles for initiating or expanding programs that overlap several countries, some of which may also be served by a field office. At a 1997 conference with some 20 overseas philanthropies that had received Ford Foundation assistance, President Susan V. Berresford stated that "indigenous philanthropic foundations...enable nonprofit organizations and community-based organizations to become independent and powerful voices for the disenfranchised."

Since this report was completed, and building on a parallel effort called *Expanding Social Justice Philanthropy* which is designed to increase philanthropic support for work that challenges structured injustice, the Foundation has also begun an initiative on *Community Philanthropy: Race and Equity in the American South*. It aims to increase the pool of philanthropic assets to build equitable communities and address the racial divide in that region, and to assist Southern philanthropies to work with business, government and the nonprofit sector to promote racial, economic, and social equity. The Foundation continues to support independent nonprofit and university-based groups in the U.S. and abroad that serve the expanding field of organized philanthropy through research, information, technical

assistance, networking, conferences, and public education and advocacy. We have also aided the World Bank to build its capacity for working with community foundations in the developing world.

In 2005, the Ford Foundation launched its most recent—and by far largest—initiative to support philanthropy. *The International Initiative to Strengthen Philanthropy* (IISP) is assisting 18 foundations in 13 countries and 5 continents to add to their assets and enhance their capacities as grantmaking and social development organizations. Many of the 18 have received previous Ford support for their start-up, and are now prepared to move to a higher level of accomplishment. Others have come into existence more recently—in many cases with founding support from the Ford Foundation—and concentrate on social justice issues such as human rights and women’s rights. Over a period of several years, Ford expects to invest close to \$100 million in the IISP participants.

With this major new initiative, the Ford Foundation reaffirms its commitment to organized philanthropy as an increasingly important worldwide force. Ford president Susan V. Berresford wrote in the winter of 2005, in *Taking a Long View: The Roots and Mission of the Ford Foundation*, that the Foundation “proudly joins the family of institutions dedicated to stewardship of human values in the global community.” This report provides an instructive record of a significant segment of the Foundation’s engagement with the worldwide family of philanthropic institutions.

Barry D. Gaberman
Senior Vice President
June 2006

Introduction

The Ford Foundation is a philanthropic or grantmaking institution in its own right. Yet through its grantmaking strategies, Ford has also prioritized building other foundations — seeing local or community-rooted philanthropy as necessary to a community’s self-determination and development. In this conceptualization, philanthropy cannot only be the introduction of resources into a community from the outside, but the ability for a community to invest in itself. Outside investors can reinforce this vision, as the Ford Foundation has done when it helps communities not only to define their own needs but meet them with their own resources.

SCOPE OF THIS REPORT

For several decades, the Ford Foundation has supported philanthropic institution building worldwide. Increasingly, Ford has become more strategic and focused in this work, the result of which was three grantmaking initiatives over the last 25 years: the Leadership Program for Community Foundations (LP), the Rural Development and Community Foundations Initiative (RDCFI) and the Africa Philanthropy Initiative (API). This study, spanning from 1975 to 2001, examines these initiatives as well as other foundation-building grants made outside these initiatives but during this period (hereafter “Independents”). In all, the report examines an expansive body of institutions and experiences, focusing on 44 distinct grantmaking organizations or foundations which received funding from the Ford Foundation during the period of the study.

These institutions span a range of foundation forms, geographical contexts and organizational backgrounds — from historic, United States-based community foundations with geographically defined grantmaking goals, to emerging, nationwide philanthropies in developing countries with broad mandates and few local resources. Perhaps most noticeable in their differences, these philanthropic institutions nonetheless share challenges and lessons that are familiar to each other and their surrounding fields.

GOALS OF THIS REPORT

Ford had two major goals in commissioning this report: to identify and understand key lessons learned from the implementation and results of Ford’s strategy; and to use these lessons to inform future grantmaking and related activities. To be clear, the report is not an evaluation of Ford’s grantees, neither their particular missions or activities in the context of Ford’s funding or beyond. Rather, it is intended as the first step in a longer journey of learning from Ford’s experiences across time, and across program areas, initiatives, and offices in the field of foundation building. This report attempts to summarize a very large amount of data and offer the reader a concise overview of what lessons might be drawn from these data. An initial draft report by research consultant Laurie

Regelbrugge provided an exhaustive review of the information. This document, edited by former Ford Foundation staff Wendy Malina and Sally Kohn, is a greatly reduced version of an earlier draft and is designed to provide practitioners with the key insights gained from the review. The Foundation is grateful to Regelbrugge, Malina and Kohn for their important contributions.

The initial study was commissioned by Ford's internal Philanthropy Learning Group (PLG), an entity within Ford that seeks to share generalizable knowledge from unique and discrete experiences with funding philanthropic institutions — a mission apropos to this report. Further, the study builds on the broader goals of the Foundation, not only to learn from and be reflective in its own grantmaking strategies but to be a leader and innovator in the field of philanthropy, informing and guiding the field wherever possible. This work was launched under the leadership of PLG co-chairs Mike Edwards and Katharine Pearson, and completed by subsequent co-chairs Sushma Raman, Christopher Harris and Linetta Gilbert.

FRAMEWORK FOR THIS STUDY

At the outset, and even more so in retrospect, Ford's strategy in philanthropic institution building can be defined as an attempt to strengthen grantee foundations in three key arenas:

- Mobilizing local resources,
- Developing effective structures for self-governance, and
- Engaging in effective grantmaking.

Thus, this report examines what Ford did to advance these goals and how effective Ford was, working with its grantee partners, in achieving these three outcomes it set out to achieve.

Ford's experience in foundation building already provided ample evidence that such organizations are effective vehicles for advancing economic and social development by developing pools of locally controlled assets. Yet this study reaches beyond this knowledge, to examine how Ford and other funders in this realm can most effectively contribute to these worthy objectives. Acknowledging the variations and particularities among the grantee foundations, some of which have already been highlighted, this report nonetheless attempts to draw broader conclusions that can be said to apply not only to the context of these institutions and Ford's intervention, but to other grantee foundations and attempts to support them. With this caveat in mind, the study that follows surfaces the following lessons for strategic foundation building:

- Local foundations must establish trust and credibility to be effective — a people-intensive process that requires board and staff leadership as well as community engagement.



- Funders must acknowledge the variations among emerging foundations and provide them with technical assistance and learning opportunities while respecting the unique innovations these foundations contribute to the field.
- In developing as unique and community-empowered institutions, grantee foundations must carefully balance outside assistance with local leadership and capacity building.
- Both emerging foundations and their funders must be patient in their pursuit of a common philanthropic development goal, as foundation building takes at least ten to twenty years, with that development by no means a linear progression.
- Funders must value new definitions of “growth” and “success” vis-à-vis emerging foundations, who do not measure their achievements solely according to financial assets and grants made, but include factors such as community empowerment and engagement, and the achievement of a social change agenda.

This report is divided into five chapters. Chapter One is a brief introduction. Chapter Two sets the context for Ford’s interventions in the field of foundation building, first describing Ford’s funding of philanthropic institutions prior to 1975, presenting the history of the funding initiatives included in this study and reporting how the Foundation set about implementing those goals. Chapter Three presents the results of each of these initiatives, taken as a whole and individually, according to Ford’s main goals of resource mobilization, governance and grantmaking practice. Chapter Four summarizes several overarching conclusions drawn from the study, to be of use to Ford, other funders and emerging foundations. And Chapter Five makes specific recommendations to the Ford Foundation for how to engage in this work in the future.

Ford's Initiatives to Build Philanthropic Institutions

FORD FOUNDATION GRANTMAKING PRIOR TO 1975

Since its inception in 1936, the Ford Foundation has not only played a role as a grantmaker but, through its grantmaking, helped develop and support other philanthropic institutions around the world. A grantmaking institution of Ford's size could never possess the sophisticated and context-rich knowledge of local communities in making grantmaking decisions. Nor could a funder like Ford support independent and healthy communities simply by providing them with cyclical financial support. Instead, wiser strategies plainly called for investments in locally-controlled resource pools, funds that could be used by and for local communities in pursuit of their own development goals.

Yet until 1975, Ford's support for philanthropic institutions remained largely uncoordinated, with similar institutions receiving funds for similar goals but without much information exchange and learning happening between them. To maximize the impact of its resources, Ford launched three initiatives, providing funding and targeted technical assistance to cohorts of grantee foundations, intentionally grouped together to provide side benefits of peer exchange and information sharing.

Notably, the Ford Foundation supported grantmaking institutions prior to 1975. In fact, prior to the initiatives in this study, Ford had relationships with many of the grantee foundations by funding intermediary organizations that then supported these grantee foundations. Examples include the Aga Khan Foundation, the Aspen Institute and the South African Grantmakers Association.

At the same time, the period of this study covers a period in which Ford's objectives with respect to philanthropic institution building widened, not only to concentrate on the mechanisms of institution building but the substance of the grantmaking. Specifically, over the years Ford has placed a greater emphasis on social justice philanthropy, aimed at addressing the root causes of inequality and advancing human rights. And to some extent more and more of Ford's grantee foundations have taken on these issues on their own, including racial justice, gay rights and environmental justice.

Thus, the history of Ford's engagement in foundation building is both longer and more complex than this report can probe, and the goal of this study is to be a reasonable proxy for engaging with this history through the lens of a more limited scope of funding initiatives and grants.



BACKGROUND ON GRANTMAKING INITIATIVES IN THIS STUDY

From 1975 to 2001, the Ford Foundation supported 44 philanthropic institutions. The majority of these 44 institutions were supported through three grantmaking initiatives, though institutions not part of those initiatives are also included in this study because of overlapping time periods. The initiatives are: the Leadership Program for Community Foundations (LP), the Rural Development and Community Foundations Initiative (RDCFI) and the Africa Philanthropy Initiative (API). The grants to other organizations, included in this study but not part of any initiative, are grouped together as Independents, though in practical terms these grants were not part of a concerted initiative or cohort. Table 1 reports funds provided to the organizations in this study. This table, as well as several others contained herein, report on funds not only from the Ford Foundation but also from the John D. and Catherine T. MacArthur Foundation, which was a partner in the LP initiative and also contributed to one grantee in the RDCFI. However, it should be noted that this study covers only those institutions that received at least some funding from the Ford Foundation.

TABLE 1: FUNDING OVERVIEW OF INITIATIVES

Study Universe	Grants In Initiative	Initiative Peer Learning Activities	Total Initiative Spending	Other Related Support To These Organizations	Overall Total
LP (FORD FUNDS)	\$9,000,000	\$2,317,671	\$11,317,671	\$28,240,750	\$39,558,421
RDCFI	\$4,680,000	\$5,560,000	\$10,240,000	\$2,550,000	\$12,790,000
API*	\$0	\$1,415,000	\$1,415,000	\$10,776,000	\$12,191,000
INDEPENDENTS	\$0	\$0	\$0	\$42,373,175	\$42,373,175
TOTAL	\$13,680,000	\$9,292,671	\$22,972,671	\$83,939,925	\$106,912,596

Estimated error of +/- 5% due to uncertainty about whether all appropriate records were examined

* API peer learning figures are for the full API initiative, while figures in "Other Grants" section are only for the four organizations in the API examined in this study : Kenya, Mozambique, Uthungulu, and West Africa.

The Leadership Program for Community Foundations (LP)

In 1982, the Council on Foundations documented that more than 220 of the existing 300 community foundations in the United States had permanent assets below \$5 million. This finding led Ford to establish the Leadership Program for Community Foundations (LP) that same year. The LP initiative developed from Ford's belief that the accumulation of assets and endowment building is critical to establishing a community foundation's long-term financial stability and credibility to donors and grantees alike. In establishing the LP initiative, Ford was testing the belief that an endowment level of \$10 million or more marked a "tipping point" for these institutions — that such foundations with lower asset levels (in 1982 dollars) would flounder.

Thus, Ford constructed the LP initiative with the specific goal of fund development. A second goal was also identified — to support community foundations in becoming policy leaders in their communities. The LP objective challenged each participant institution to identify a critical issue in its community, and develop and implement a grants program that would provide leadership on that issue by supporting policy-oriented responses. As noted above, this pairing of strategies marks Ford's increasing focus beyond simply the technical aspects of philanthropic institution building and toward a growing attention to supporting policy outcomes, which evolved into a current explicit focus on social justice goals within foundations.

Over the course of the initiative, Ford funded 27 community foundations in three rounds of grantmaking. Funding in the first round (1987–1991) was provided solely by Ford. Funding for the second and third rounds (1989–1993 and 1991–1995, respectively) was contributed jointly by Ford and the MacArthur Foundation. At the inception of the initiative, all of the 27 grantee foundations had assets below \$13 million.

The foundations each received \$500,000 from Ford or MacArthur, to be spent on grantmaking or operations expenses, if they were able to raise \$1 million in unrestricted or field-of-interest endowment funds. The grantees had two years to raise the unrestricted funds during the five year funding initiative.

In addition to grants to the foundations themselves, the LP initiative included substantial support for learning activities among the cohort of

LEADERSHIP PROGRAM FOR COMMUNITY FOUNDATIONS (LP) (1987–1995)

*Arizona Community Foundation
Dade Community Foundation
Dayton Foundation
El Paso Community Foundation
Community Foundation of Greater Greenville
Community Foundation of Greater Memphis
Rochester Area Foundation
Community Foundation for Southeastern Michigan
Baltimore Community Foundation
Community Foundation for Greater Lorain County
Madison Community Foundation
Greater New Orleans Foundation
Central New York Community Foundation
Foundation Northwest
The Community Foundation Serving Richmond
and Central Virginia
East Tennessee Foundation
Greater Triangle Community Foundation
Tucson Community Foundation
Delaware Community Foundation
Duluth-Superior Area Community Foundation
 Fargo-Moorhead Area Foundation
Community Foundation of Greater Greensboro
Maine Community Foundation
Rockford Community Trust
Sacramento Regional Foundation
Community Foundation of Greater
Santa Cruz County
Vermont Community Foundation*



institutions. Funds were allocated for a facilitator, an evaluation, regular communications with the facilitator, technical assistance and annual meetings. Peer exchanges among the foundations were also made possible through the initiative.

The Rural Development and Community Foundation Initiative (RDCFI)

Sharing aims similar to that of the LP, the RDCFI sought “to demonstrate that enduring human, institutional, natural and financial assets” could be developed in rural U.S. communities “by engaging and developing the

capacity and role of statewide and regional community foundations in rural community economic development.” Specifically, the initiative sought to support endowment building, grantmaking and other program development, community building and organizational management for the grantee institutions.

The Ford Foundation provided the majority of funding for this initiative, with the MacArthur Foundation providing a supplementary contribution to the East Tennessee Foundation. Four institutions received grants in the first round of funding (1993–1996); the remaining four received contributions in the second round (1998–2001). As with the LP initiative, RDCFI grantees were provided a \$500,000 challenge grant for which they needed to raise \$1 million in permanent, endowment assets. These funds were to be broadly dedicated

to enhancing the economic security of low-income rural families and their communities, and allocated flexibly over three years to rural endowment-building and grantmaking.

As with the LP, funds were provided for learning activities among foundations in the initiative. The Aspen Institute’s Rural Economic Policy Program (REPP) managed the initiative, designed and facilitated peer learning and administered a technical assistance fund. Components included semi-annual peer-exchange institutes through the three-year initiatives, site visits, technical assistance from REPP and access to the technical assistance funding.

The Africa Philanthropy Initiative (API)

The API’s objective was to increase the knowledge and capacity of emerging African foundations to serve their communities and simultaneously reduce the continent’s dependence on outside aid.

Funded solely by the Ford Foundation from 1998 to 2002, the API provided four years of support for the development philanthropy in Africa through

RURAL DEVELOPMENT AND COMMUNITY FOUNDATIONS INITIATIVE (RDCFI) (1993–2001, NONCONSECUTIVELY)

*New Hampshire Charitable Foundation
East Tennessee Foundation
Montana Community Foundation
New Mexico Community Foundation
Arizona Community Foundation
Maine Community Foundation
Greater New Orleans Foundation
Community Foundation Serving Coastal
South Carolina*

convening an Africa-wide peer-learning group. The aim of what came to be known as the Africa Foundations Learning Group was to increase the knowledge and capacity of emerging African foundations.

Meetings and exchanges facilitated networking and peer learning. Participants focused on the basic elements of building a foundation (endowment, governance, and grantmaking), raising critical questions about their experiences and choices. Several participants visited U.S.-based community foundations and took part in meetings with grantees from the RDCFI and LP initiatives. Technical assistance addressed needs for information, analysis, and materials. The API identified a number of potential grantee partners to carry forward a local asset development agenda. At the time this study commenced, six local foundations were receiving support to develop this work through planning grants.

The API also supported the development and strengthening of regional grantmaking associations in Africa to build their capacity to provide technical support and services to local and regional philanthropic institutions. Two such associations are the Southern African Grantmakers Association (SAGA, established 1975), and the East Africa Regional Association of Grantmakers (established 2003). One member of the API, the Arab Arts Fund, attempted to organize and launch, but for a number of reasons chose to terminate the process. Subsequently, a foundation with a similar name is under development at this writing.

The Independents

The remaining nine organizations in this study (hereafter “Independents”) received funding to support their endowments, organizational development, and/or grantmaking, but were funded not as part of an initiative. Nonetheless, the funding provided to these institutions had the same goals of institution building and strengthening. Thus, such grants were included in this study to ensure that its results are both comprehensive as well as nuanced, capturing the varying mechanisms and motivations behind Ford’s support for philanthropy.

Three of the institutions are in the U.S. and six are in other countries. In most cases, these organizations received extensive guidance from Ford’s program officers and directors, overseas representatives and executives, as well as occasional technical assistance from outside consultants. Ford also supported and encouraged these organizations to meet with peer

AFRICA PHILANTHROPY INITIATIVE (API) (1998–2002)

Mozambique Foundation for Community Development (Mozambique)
Kenya Community Development Foundation (Kenya)
Uthungulu Community Foundation (South Africa)
West Africa Rural Foundation (Senegal, Mali, Gambia, Guinea-Bissau, and Guinea)
Arab Arts Fund (Egypt; since closed)

INDEPENDENTS (1975–2002)

Bangladesh Freedom Foundation (Bangladesh)
Eagle Staff Fund of First Nations Development Institute (U.S./“Indian Country”)
Foundation for the Mid South (U.S./Mississippi, Arkansas, Louisiana)
India Foundation for the Arts (India)
National Foundation for India (India)
Philippine Business for Social Progress (Philippines)
Puerto Rico Community Foundation (U.S./ Puerto Rico)
Seagull Foundation for the Arts (India)
Stefan Batory Foundation (Poland)



foundations and provided opportunities to attend conferences and participate in leadership roles within the philanthropic sector.

For purposes of this study, the first grant to a foundation in this category was made in 1975 to Philippine Business for Social Progress. Subsequent grants included support in 1985 to help launch the Puerto Rico Community Foundation; funding to establish the Bangladesh Freedom Foundation, the India Foundation for the Arts and the National Foundation for India in the 1990s; and support for the First Nations Development Institute (founded in 1980 as a research, advocacy and technical assistance intermediary) to establish the Eagle Staff Fund, a grantmaking arm, in 1994.

THE VALUE OF FORD'S ENGAGEMENT

All 44 organizations in the study had access to Ford personnel during the course of these initiatives and/or their particular grants. Most also had access to Ford-funded consultants or initiative managers. More than two-thirds enjoyed additional support from Ford through their participation in activities such as organizational exchanges, their involvement in policy initiatives and their attendance at key forums and events. Finally, Ford personnel are board members of at least two of these foundations, and Ford consultants have also served as board members to these organizations. It should be noted that Foundation policy requires that Ford staff or consultants serving on boards of grantee institutions not participate in decision-making or activities related to funding those institutions.

Table 2 provides an overview of the 44 grantee foundations encompassed by this study. The table identifies the year that each organization was started and its location; shows whether Ford's role was strengthening an existing organization or starting a new one; indicates whether and what initiative the organization was a part of; and reports on the total funding provided to the institution from 1975 to 2001.

TABLE 2: OVERVIEW OF ORGANIZATIONS IN THIS STUDY¹

Organizations	Established	U.S./ International	Ford's Role	Initiatives	Total Ford Grants^{3, 4}
Arizona Community Foundation	1978	U.S.	Strengthen	LP/RDCFI	\$1,986,000
Baltimore Community Foundation	1972	U.S.	Strengthen	LP	\$1,392,100
Bangladesh Freedom Foundation	1997	Bangladesh	Establish	Independent	\$3,850,000
Central New York Community Foundation	1927	U.S.	Strengthen	LP	\$688,000
Community Development Foundation	1994	Mozambique	Strengthen	API	\$395,000
Community Foundation for Greater Lorain County	1980	U.S.	Strengthen	LP	\$700,000
Community Foundation for Southeastern Michigan	1984	U.S.	Strengthen	LP	\$3,575,000
Community Foundation of Greater Greensboro	1983	U.S.	Strengthen	LP	\$575,000
Community Foundation of Greater Greenville	1956	U.S.	Strengthen	LP	\$500,000
Community Foundation of Greater Memphis	1969	U.S.	Strengthen	LP	\$3,675,000 +\$500,000 <i>MacArthur</i>
Community Foundation of Greater Santa Cruz County	1982	U.S.	Strengthen	LP	\$500,000
Community Foundation Serving Coastal South Carolina	1974	U.S.	Strengthen	RDCFI	\$900,000
Community Foundation Serving Richmond and Central Virginia	1968	U.S.	Strengthen	LP	\$500,000 <i>MacArthur</i>
Dade Community Foundation	1967	U.S.	Strengthen	LP	\$6,035,000
Dayton Foundation	1921	U.S.	Strengthen	LP	\$500,000
Delaware Community Foundation	1986	U.S.	Strengthen	LP	\$500,000
Duluth-Superior Area Community Foundation	1983	U.S.	Strengthen	LP	\$500,000
East Tennessee Foundation	1985	U.S.	Strengthen	LP/RDCFI	\$1,120,000 +\$500,000 <i>MacArthur</i>
El Paso Community Foundation	1977	U.S.	Strengthen	LP	\$2,066,000
Fargo-Moorhead Area Foundation	1960	U.S.	Strengthen	LP	\$500,000
First Nation's Eagle Staff Fund (ESF)	1994	U.S.	Establish	Independent	\$8,322,000
Foundation for the Mid South	1989	U.S.	Strengthen	Independent	\$3,352,635
Foundation Northwest	1974	U.S.	Strengthen	LP	\$500,000 <i>MacArthur</i>



TABLE 2: OVERVIEW OF ORGANIZATIONS IN THIS STUDY (continued)

Organizations	Established	U.S./ International	Ford's Role	Initiatives	Total Ford Grants
Greater New Orleans Foundation	1983	U.S.	Strengthen	LP/RDCFI	\$2,375,000
Greater Triangle Community Foundation	1983	U.S.	Strengthen	LP	\$500,000
India Foundation for the Arts	1993	India	Establish	Independent	\$3,850,000
Kenya Community Development Foundation (Aga Khan Fdn.) ²	1997	Kenya	Establish	API	\$2,100,000
Madison Community Foundation	1992	U.S.	Strengthen	LP	\$200,000 +\$500,000 <i>MacArthur</i>
Maine Community Foundation	1983	U.S.	Strengthen	LP/RDCFI	\$1,100,00
Montana Community Foundation	1988	U.S.	Strengthen	RDCFI	\$840,000
National Foundation for India	1992	India	Establish	Independent	\$4,966,000
New Hampshire Charitable Foundation	1962	U.S.	Strengthen	RDCFI	\$1,804,650
New Mexico Community Foundation	1980	U.S.	Strengthen	RDCFI	\$1,825,000
Philippine Business for Social Progress	1970	Philippines	Strengthen	Independent	\$1,458,789
Puerto Rico Community Foundation	1985	U.S.	Establish	Independent	\$10,312,500
Rochester Area Foundation	1972	U.S.	Strengthen	LP	\$700,000
Rockford Community Trust	1953	U.S.	Strengthen	LP	\$200,000 +\$500,000 <i>MacArthur</i>
Sacramento Regional Foundation	1983	U.S.	Strengthen	LP	+\$500,000 <i>MacArthur</i>
Seagull Foundation for the Arts	1972	India	Strengthen	Independent	\$964,000
Stefan Batory Foundation	1988	Poland	Strengthen	Independent	\$4,989,400
Tucson Community Foundation	1980	U.S.	Strengthen	LP	\$828,000
Uthungulu Community Foundation (Zululand Chamber of Business Fdn.)	1999	South Africa	Establish	API	\$500,000
Vermont Community Foundation	1987	U.S.	Strengthen	LP	\$500,000 <i>MacArthur</i>
West Africa Rural Foundation	1990 ⁵	Senegal	Establish	API	\$6,500,000

1 The Arab Arts Fund, though a member of the API, is not included in this table because it never became fully operational.

2 Initiative intermediaries (indicated parenthetically) providing technical assistance and other support to particular grantees.

3 Grants made during study period only and/or within initiatives.

4 MacArthur Foundation funds indicated in italics

5 Reflects the year these organizations were legally established, not the years they became operational

Evaluating Success

Strong grantmaking institutions, grounded in community needs and sustained by community resources, require several overlapping competencies if they are to maximize their impact. These capacities extend beyond simply raising money to being able to mine diverse and, ideally, indigenous resources that sustain the organization and reinforce its community-building mission. Moreover, effective grantmaking institutions must also be effective grantmakers — evolving a grantmaking philosophy and process in which assessing and responding to community needs requires more effort than writing a check. And to be truly rooted in the communities they serve, grantmaking institutions must be accountable through rigorous and developed self-governance structures, which ensure that both funders and grantees as stakeholders of these foundations have avenues of influence and redress.

In the support it provided for philanthropic institutions, Ford sought to help its grantees more effectively mobilize resources, develop self-governance and practice strategic grantmaking. As represented in Figure 3, these three objectives speak to Ford’s philosophy of the essential capacities of a healthy grantmaking institution.

Thus, this section of the report examines each of these objectives in turn, to explore how Ford sought to advance these goals and the extent to which each was successfully achieved. As has been noted, it is hard to draw com-

FIGURE 3: FORD’S OBJECTIVES FOR PHILANTHROPIC INSTITUTION BUILDING





parisons across the 44 grantee foundations in this study. Each foundation is unique in its own right, and such comparisons are further complicated by the variations in geographic location, size, age and population served by each institution. Nonetheless, the goal of this report, and this section in particular, is to attempt to extract trends and themes from the various funding initiatives studied and synthesize those findings into useful lessons for future work.

RESOURCE MOBILIZATION

For the purposes of this report, resource mobilization refers to financial resources. Indeed, philanthropic institutions must also capitalize on a range of human and intellectual resources, but as grantmaking bodies, money is their primary fuel. Further, while not all of the foundations included in this study are community foundations as the term is traditionally understood, all seek to serve a particular community — whether geographic (such as the Puerto Rico Community Foundation) or identity-based (such as the Eagle Staff Fund for Native Americans). Ford recognized that, to be rooted in community, a foundation’s resources must at least in part come from that community. Thus, in the LP and RDCFI initiatives, a primary objective was for grantee foundations to diversify their funding sources — facilitating broader accountability and community participation. In this conceptualization, fundraising is not only a means of building the institution’s budget but also a way to build social capital within the community, strengthening the institution’s relationships and reputation.

Historically, the thinking about resource mobilization has focused on quantifiable or measurable assets — most typically, dollar amounts. Yet if we view philanthropy as not only an end but a means to strengthening civil society, resource mobilization can be defined in similarly expansive and more nuanced ways. This conceptualization moves beyond framing fundraising in terms of the organization’s relationship with the needs of a donor to exploring issues of self-sufficiency and community involvement. That said, concrete monetary amounts are still a good indicator of a foundation’s resource mobilization capacity and, for the purposes of this limited inquiry, used as indicators of success.

Indicators of Success for Resource Mobilization

In the scope of this study, the following indicators have been used to measure successful resource mobilization among the grantee foundations:

- Growth in permanent assets;
- Diversification of funding sources;
- Ability to secure and sustain operating funds;

- Growth in reach of foundation's resources and programming;
- Increased assets for grantmaking;
- Increases in the numbers and range of local funders;
- Growth in attracted or leveraged funds for community organizations and purposes;
- Growth in permanent endowment for rural economic and community development;
- Growth in receipts of valuable non-financial assets (e.g., human resources, volunteers, in-kind contributions of products/services/space/opportunities); and
- Effective financial management of increasingly complex resource base.

Summary of Results

All foundations in the study sample successfully mobilized resources for endowments, operations and/or grantmaking budgets according to the indicators used. Most increased their permanent assets, diversified their donor/revenue base, and mobilized substantial local resources. Most also attracted and developed other resources that complemented and enhanced their financial profile. These resources included volunteers, networks, program experience, new knowledge and expertise, and visibility. However, because most of the funds raised by the grantee foundations were subject to conditions and restrictions, the percentage of unrestricted assets held by these organizations remains relatively low.

The organizations that participated in LP and RDCFI (representing about 70 percent of the study's target universe) achieved substantial progress. Most noteworthy, all organizations in these two initiatives met the matching requirements and minimum endowment-building conditions in order to receive funding from Ford and MacArthur. In its 1994 report on the LP initiative, *Building Community Capacity: The Potential of Community Foundations*, Rainbow Research sets forth quantitative results from the first two rounds of the initiative, two of which are provided here as illustrations:

- The eight participants in Round 1 increased their permanent funds from an average of \$9 million to an average of \$22 million; two participants more than doubled their permanent funds, two more than tripled them, and one more than quadrupled; and the group discretionary endowment funds expanded from an average of \$4.12 million to an average of \$10.12 million.
- The 10 participants in Round 2 increased their permanent funds from an average of \$6.5 million to an average of \$16.9 million; six participants more than doubled their funds, and two more than quadrupled



them; and the group discretionary endowment funds expanded from an average of \$2.5 million to an average of \$7.7 million.

All eight participants in the RDCFI initiative raised the required \$1 million matching funds to enhance the role, resources, and involvement of state-wide and regional community foundations in rural community economic development. Since their involvement in RDCFI, several of these foundations have achieved substantial growth in their assets and influence.

The institutions involved in the API experienced growth in resource flows, if not necessarily in permanent assets. Notably, some of these organizations are in the early stages of institutional development when permanent

asset development is less common. Moreover, all face challenges associated with a limited enabling environment of laws unfriendly to foundations in many African nations, as well as severe economic development strains common across the continent.

There was noteworthy progress, and, in a few cases, substantial success, by the nine Independents. For example, the Puerto Rico Community Foundation raised \$8 million by the end of 1988, three years after its establishment. This was the amount required to meet Ford's challenge and to receive \$4 million pledged by Ford and a set of other funders. The India Foundation for the Arts and the Philippine Business for Social Progress were successful as a result of a deliberate

strategy to engage the business sector. Both organizations developed corporate partnership strategies and designed programs that were responsive to the different opportunities, resources, and needs of the business sector — noteworthy, in part, because so many other foundations in this study reported difficulty in engaging the business sector in their work.

REFLECTIONS ON RESOURCE MOBILIZATION

"The challenge grant was great at the time of the initiative, but lost its luster with local donors later. The sad truth is that people who gave funds to help us meet the \$1 million match have not given anything since. Also, after the LP there were dozens of national funder initiatives with challenge grant components. There is some burnout with outside challenges sucking up our local unrestricted funds."

Specific Results in Each Initiative

Leadership Program for Community Foundations led to new funds and new attitudes

Ford and MacArthur invested over \$15.8 million in the LP initiative, including grants and support for peer-learning and technical assistance — spread over three rounds of funding. These funds represent an average investment of \$585,840 per organization. In the first round of funding, permanent endowment funds among the grantee foundations increased from \$73 million to \$177 million, and permanent discretionary funds grew from \$33 million to \$81 million. In the second round, permanent endowment funds rose from \$65 million to \$169 million, and permanent discretionary funds increased from \$25 million to \$77 million. Thus, a total investment of \$10,545,114 in the first two rounds of funding alone helped

to leverage overall increases in permanent endowment funds of \$208 million and growth in permanent discretionary funds of \$100 million.

Although a goal of the LP was an overall growth in permanent funds for the grantee foundations, the initiative specifically sought to help grow permanent discretionary reserves — as the most flexible form of resources for a foundation, essential to financial sustainability and the ability to meet grantmaking needs creatively. In this regard, LP grantees raised roughly \$10 in permanent discretionary funds for every \$1 Ford invested. Looking several years beyond the initiative’s end dates, interviews and surveys revealed that these funds grew further still.

Table 4 profiles a sample of eight LP organizations with respect to resource mobilization. It indicates the year each was established and its initial assets, shows what happened to the organization’s assets when the LP began and ended, and reports on the amount of assets each held at the time this analysis was prepared.

TABLE 4: EXAMPLES OF ASSET GROWTH (IN U.S. DOLLARS) FOR EIGHT LP PARTICIPANTS

Community Foundation	Year Started	Assets	Year LP Began	Assets	Year LP Ended	Assets	Current Assets (2002)
Central New York	1927	\$11,000	1989	\$13,000,000	1994	\$18,000,000	\$80,000,000
Fargo-Moorhead	1960	0	1991	\$5,300,000	1995	\$40,000,000	\$32,500,000
Richmond and Central Virginia	1968	0	1989	\$7,200,000	1993	\$14,500,000	\$379,000,000
Greater Memphis	1969	0	1987	\$12,000,000	1991	\$19,000,000	\$205,000,000
Duluth Superior	1983	0	1991	\$6,000,000	1995	\$12,000,000	\$34,000,000
Greater Triangle	1983	\$1,000	1989	\$3,000,000	1994	\$11,000,000	\$89,000,000
Southeastern Michigan	1984	\$1,000,000	1987	\$10,000,000	1991	\$25,000,000	\$333,000,000
East Tennessee	1985	\$500,000	1989	\$4,200,000	1993	\$9,500,000	\$60,000,000

The emphasis on resource mobilization did more than grow assets for the LP initiative grantees. All study respondents that participated in the LP initiative said it was instrumental in building their capacity, drive and direction with respect to resource mobilization activities. They said that the LP introduced them to different ways of thinking about resource mobilization and provided “stimulation to get them beyond thinking that incremental growth was acceptable.” Key components cited as facilitating this shift in thinking were the challenge grants, operating support, community grantmaking initiative, board and staff involvement, peer learning, technical assistance, and the feedback provided by outside learning partners, consultants, and evaluators.



“Before the Ford grant, our highest level of contributions in a given year was \$2.7 million. After the LP, our lowest level was \$9.9 million in any given year. Almost all of the growth from \$11 million to \$89 million is from local sources.”

– Leadership Program for Community Foundations initiative participant

The success of the LP organizations in achieving substantial growth in their assets, influence, and leadership continued long after their participation in the initiative. They attributed their ongoing effectiveness in this regard largely to the experience they gained during their participation in the LP.

The Rural Development and Community Foundation Initiative raised matching endowment funds from diverse sources

Here, too, the success of RDCFI grantees extended beyond just raising assets to achieving particular goals related to resource mobilization. Specifically, participants in the RDCFI were particularly successful at raising matching endowment funds from diverse sources — e.g., individuals living in urban/metropolitan and rural areas, foundations, corporations, and also through special events. This was an explicit goal of the initiative from its outset — to use resource mobilization to engage new donors and constituencies in the economic justice issues facing low-income rural families. The grantees successfully brought these issues before a range of donors, while at the same time building more diverse and thus more stable funding streams.

TABLE 5: SOURCES OF RURAL ENDOWMENT MATCH FOR RDCFI PARTICIPANTS (IN U.S. DOLLARS)

Examples of Results	Urban/ Metro Individuals	Rural Individuals	Foundations	Corporations	Special Events	Other	TOTALS
Round 1							
Subtotals	\$306,804	\$2,303,224	\$641,228	\$1,169,755	\$125,930	\$346,459	\$4,893,400
East Tennessee	\$71,331	\$1,207,720	\$207,000	\$890,233	\$93,899	\$186,515	\$2,656,698
Montana	\$139,473	\$215,244	\$355,978	\$180,010	\$13,326	\$134,304	\$1,038,335
New Hampshire	\$96,000	\$880,260	\$25,000	\$99,512	0	\$25,640	\$1,126,412
New Mexico*	0	0	\$53,250	0	\$18,705	0	\$71,955
Round 2**							
Subtotals	\$5,015,995	\$9,555,092	\$4,337,333	\$1,751,665	0	\$570,757	\$21,230,842
Arizona	\$50,000	\$60,000	\$362,296	\$590,000	0	\$480,000	\$1,542,296
Coastal South Carolina	\$550,625	\$9,248,324	\$335,000	\$57,250	0	\$10,650	\$10,201,849
Greater New Orleans	\$5,216	\$30,313	\$125,000	\$900,000	0	0	\$1,060,529
Maine	\$4,410,154	\$216,455	\$3,515,037	\$204,415	0	\$80,107	\$8,426,168
TOTAL							
Both Rounds	\$5,322,799	\$11,858,316	\$4,978,561	\$2,921,420	\$125,930	\$917,216	\$26,124,242

* Matching requirements were altered during RDCFI due to various organizational challenges. NMCF ultimately met the match.

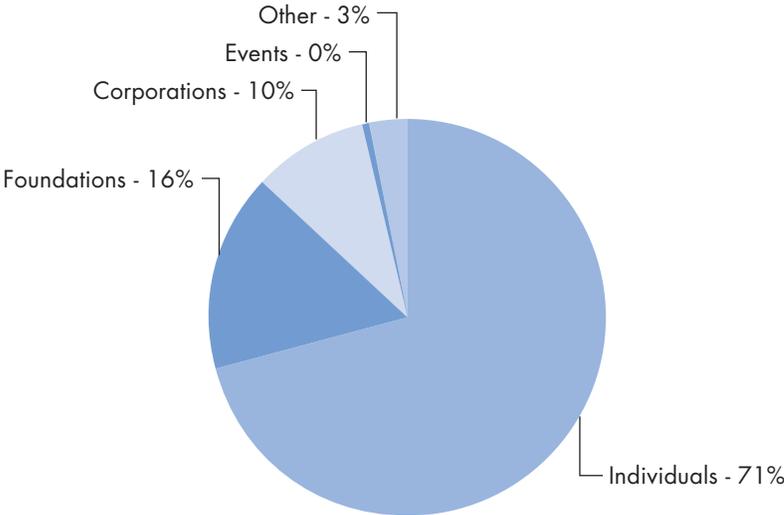
** With different timetables, the figures for Rounds 1 and 2 show the resources gained over five years and three years, respectively.

Table 5 summarizes the sources of support for the eight community foundations in RDCFI and illustrates the extent to which they were successful at soliciting support from individual donors, and, in particular, from rural residents.

It is important to note that the \$11.8 million provided by rural individuals does not represent the accumulation of a small number of large contributions. Rather, the community foundations amassed these funds largely through hundreds and hundreds of small gifts from individuals, ranging from \$10 to \$100 per person. This result reinforces the views that low-income areas have substantial assets and that when these assets are combined, they can be harnessed to serve long-term local development purposes.

The Ford Foundation invested \$10,240,000 in the RDCFI in the form of grants and peer-learning and technical assistance, representing an average of \$1,280,000 per grantee foundation. By the end of the initiative, the participating organizations had raised a total of \$29,755,844 in permanent resources that were dedicated specifically to rural economic and community development to address rural poverty. This result is consistent with the matching requirements of the initiative (that \$2 be raised for each \$1 Ford invested). However, it is expected that the initiative’s multiplier effect will be substantially higher after another five years have passed.

SOURCE OF RURAL ENDOWMENT FUNDS



Emerging Africa Philanthropy Initiative groups tried different approaches

As this report was being prepared, the API Africa Foundation’s Learning Group resource mobilization efforts were in the early stages of development. For instance, the Kenya Community Development Foundation received a \$650,000 endowment challenge grant from Ford requiring a one-to-one match within three years. KCDF subsequently developed a resource mobilization strategy and related promotional materials.

At the same time, all API grantees are actively engaged in fundraising and several API participants are already demonstrating the cumulative value of attracting small gifts. For example, the Uthungulu Community Foundation formulated a long-term strategy for leveraging very small gifts from large numbers of community members. Both the RDCFI and the growing body of API experience suggest the soundness of this fundraising approach.



The Independents faced barriers

Resource mobilization has been spottier among the Independents examined in this study. Most of these organizations are younger than those participating in the LP and RDCFI initiatives. Thus, slower growth rates are somewhat a function of their stage of development. Moreover, several exist in countries with severely low income/asset levels or other barriers that affect resource mobilization, such as:

- Legal and regulatory frameworks that provide few or no incentives/support for foundation building and resource mobilization;
- Traditional approaches to giving, community development, and government services that may be substantially different than organized professional philanthropy and grantmaking;
- Limited knowledge, awareness, or existence of organized professional philanthropy practices and the nonprofit sector; and
- Pervasive corruption which makes people wary of fundraising and grantmaking activities.

In places where the enabling environment is limited and low income levels persist, the study found that credible governance and a program track record must first be established before the institution can successfully entice local funds. Governance and grantmaking issues, with respect to the Independents and the other cohorts, are taken up later in this chapter.

Factors Influencing Results

Market conditions

The 1990s saw one of the broadest market expansions in U.S. history, yielding unanticipated growth in the resource base and endowments of many U.S.-based philanthropic foundations. Thus the timing of the LP and RDCFI initiatives was auspicious, and as such, all LP and RDCFI participants increased their assets, with most expanding their permanent and unrestricted funds. The market climate, combined with aggressive strategies, new tools and the pressure of competition, all contributed to improved – if not phenomenally improved – results in the fundraising arena.

However, in other countries throughout most of the 1980s and 1990s, conditions were generally less favorable. Fiscal crises and systemic challenges in Asia, Latin America, Eastern and Central Europe, and Africa made growth far more difficult in these regions – both in these economies at large, and in the philanthropic sector as well.

That the remaining 13 organizations in the API and Independents cohorts mobilized local resources is a testament to their ingenuity. The majority added some resources to their asset base, while all mobilized some

resources locally in support of programming or operations. Nonetheless, most received a large percentage of their overall revenue from Ford, although the funds were provided through different combinations of endowment, grantmaking and operating support.

Legal/regulatory enabling environment

Philanthropic foundations in the U.S. enjoy a relatively favorable enabling environment: donors receive tax deductions for their contributions; the regulatory requirements are widely understood; the general public is supportive of both the concept and practice of charitable giving; and there is little corruption in this sector. Whether this environment was an affirmative aid to the grantee foundations in their fundraising is unclear; but at the very least, the U.S.-based foundations did not have to contend with such impediments to their efforts in fundraising.

This situation contrasts sharply with that of the enabling environments in parts of Asia, Latin America, Eastern and Central Europe, and Africa. In much of these regions, the legal and regulatory landscape for the non-governmental organization (NGO) sector as a whole is still evolving. There are relatively few locally or nationally-based foundations in these regions; most people connote the term “funder” with international aid organizations and foreign governments. Thus, the level of public familiarity with and trust of local philanthropic institutions is low, and the grantee foundations in this study experienced limited progress in resource mobilization and in grantmaking. In this context, their attempts to mine local resources contributes not only to their financial health as institutions but to the longer-term project of building community awareness of and engagement with philanthropic institutions. It can be expected that such efforts contribute toward the ongoing improvement of the enabling environment in these regions.

Impact of social justice framework

To some degree, the ability of any organization to raise funds depends on the resonance of its mission with those it seeks to solicit. Specifically, philanthropic institutions that seek to advance a social change agenda — going beyond the traditional framework of charity for social services and supporting activities like policy advocacy, civic participation and leadership development — have the potential to leverage greater changes with their funding. Yet these same institutions may have trouble securing donations from donors wary of efforts to challenge the status quo. While this study did not have as its purpose a detailed examination of social justice philanthropy, its findings illuminate such an inquiry. The data in this study suggest that the ability for fundraisers to leverage resources is *higher* when a social change agenda is framed in more general and broad terms but *lower* as the social change agenda becomes more specific. The results of two initiatives, LP and RDCFI, suggest that social change-oriented grantmaking



institutions can successfully raise significant levels of funds if they are thoughtful in how they craft and frame their work.

Many of the LP organizations described extensive social change-oriented outcomes as a result of their participation in the initiative. For instance, peer-learning activities raised and supported the participants' efforts to address issues such as diversity and class in their institutions and grant-making. While the available data was not collected in ways that might facilitate a definitive finding, many LP members are using substantial portions of their growing discretionary resources to pursue social change objectives. Many are also incorporating social change perspectives and objectives into their restricted and/or donor-controlled funds. For instance, the Dade, Arizona and Maine Community Foundations are participants in the National Lesbian and Gay Community Funding Partnership, raising local matching funds to support lesbian, gay, bisexual and transgender rights in their communities.

Similarly, the RDCFI initiative's results demonstrate that a focused social change strategy involving community philanthropic institutions is feasible. RDCFI initiative grantees, which included an explicit economic justice agenda in their participation in the initiative, achieved substantial resource mobilization success in a relatively short timeframe (i.e., three years).

New resource mobilization strategies

A number of the grantee foundations in the study have tested and implemented innovative resource mobilization strategies. These strategies, many of which are relatively new to certain parts of the world and/or to the field of fundraising and institution building in general, were not so widely adopted by the cohorts as to lead to generalizations and conclusions for this report. Nonetheless, it is useful to note the experimentation and continue to pay attention to future outcomes. These new strategies include:

- Targeting tax/estate planning professionals;
- Pursuing diaspora philanthropy and nonresident community members;
- Influencing donor choices in donor advised work and widening donor services;
- Tax credit systems;
- Housing affiliate funds;
- Serving as the community recipient of legal case settlements or non-profit conversions;
- Acquiring land, buildings, and other non-financial assets; and
- Helping to “broker” resources for community involvement in major investments, settlements, and projects.

Lessons on Resource Mobilization

From this study, several valuable lessons on benchmarks and strategies for resource mobilization emerge.

The first \$5 million is the hardest to raise, particularly in low income economies. Typically representing investments of “faith” in an institution, the first \$1 to \$5 million is the most difficult and time consuming for an organization to amass. An additional challenge arises in lower income economies because a local community might perceive an organization with assets in the range of \$1 to \$5 million to be wealthy, faring better than other organizations and therefore not in need of additional resources.

More substantial asset growth is incremental. Asset growth between \$3 and \$10 million is difficult because a lack of scale can cause prospective donors to question an organization’s viability or credibility. Once assets reach \$10 million, an institution can more readily accelerate its growth.

Small gifts signify community buy-in but are hard to come by. Fundraising for small, individual donations is more feasible when there is a centralized institution to attract hundreds of diverse donations (such as a grantmaking institution), a significant enough initial base of funding to develop the capacity for such fundraising and a sufficiently supportive enabling environment. Usually, small gifts alone cannot deliver short-term results at the level necessary to sustain a foundation’s operations. Yet this fundraising strategy provides not only significant long-term income potential but other important benefits in engaging a wide range of stakeholders from the community in investing in and shaping the foundation.

Operating support is critical but rare. It is very difficult for these foundations to secure operating support and yet the quality of their enterprise depends upon it. Without core support in the early phases, it is nearly impossible to attract key staff to build the operations and infrastructure of the institution. Ford’s initiatives provided capacity building assistance by supporting foundation staff and trustees with opportunities for reflection and strategic thinking, but these efforts do not make up for the need such foundations have to build sustainable capacity, which can only be done through operating funds.

An organization’s identity affects its appeal to donors. Ambiguity about an organization’s status, structure, governance, or capacity/skills hinders that organization’s appeal to donors. As noted, a philanthropic institution without an established identity may need to tackle governance issues and establish a programmatic track record before donors will take the institution seriously. Also, the organization’s focus — for instance, on an explicit social change agenda — will impact which donors it attracts. Foundations in developmental stages or working on controversial issues may



need larger amounts of long-term support from “outside” their communities to support their institutional development and grantmaking. Such foundations may deliberately choose to place a lower priority on broad resource mobilization at least in their early years.

Donors tend to measure growth solely according to asset level. Yet in considering the trajectory of growth for philanthropic institutions, there are numerous important indicators, such as:

- Growth in influence, among community members, donors and/or policy makers;
- Growth in the capacity of the organizations that the foundation is supporting;
- Growth in unrestricted assets dedicated to the general mission of the foundation and community improvement overall;
- Growth in relationships with other institutions, associations and networks;
- Growth in the asset building work of the community as a whole, spawned by the foundation’s leadership; and
- Growth in achieving the particular policy and/or social change goals that the foundation set out to achieve.

Funders must balance starving with overfeeding. In one instance, community stakeholders referred to a foundation in this study as “fat and lazy”, believing the foundation to have more money than it needs thanks to Ford. Conversely, members of another community questioned whether Ford’s commitment to work there was serious given their perception that Ford had underinvested in the local foundation. The best formula is hard to deduce, where funders seed the right level of support to boost a foundation’s capacity while not generating over-dependency on one major stream of funding alone.

Philanthropic institutions can benefit from best practices but also need to experiment. Ford’s initiative-based funding allowed grantee foundations to share strategies for resource mobilization and implement each others’ best practices. This mutual learning was facilitated by the intermediary organizations, including the Aspen Institute and Rainbow Research. At the same time, the study shows that innovation in resource mobilization is critical, particularly given that every institution is undoubtedly unique in some respects. Moreover, the space for such innovation is what leads to best practices down the line.

GOVERNANCE AND LEADERSHIP

Governance issues entail at the very least a baseline of oversight mechanisms for philanthropic institutions. A foundation’s governance structures

aim to ensure sound financial management, long-term planning and mission-driven implementation. But allusions to governance can also include more aspirational dimensions — where governance becomes the vehicle through which communities control the assets vested on their behalf and determine the direction of those assets in grantmaking. This is what this report attempts to capture in the term “self-governance” — a form of governance that at the same time includes legal and fiduciary responsibilities, but also community empowerment and self-determination.

Any aspect of governance, but in particular independent self-governance deriving from the community, requires strong and active leadership. In foundations, leadership is formally held by trustees and staff, and the executive director in particular. Too often, governance has been perceived primarily as an issue of effective board operations and oversight. Although a board’s role is crucial, governance is even more so a function of organizational development and management, as reflected in the relationships among the board, executives, staff and even constituents. Foundations with strong boards but weaker staff have not advanced their work nearly as far as those that have strong staff and boards that give guidance, but allow staff discretion to operate. That said, weak leadership at the board level can be a serious impediment to growth and effectiveness.

While this report concentrates on governance in terms of organizational roles and structures and singles out trustees and staff as the main caretakers of these systems of oversight and accountability, larger spheres of individuals and institutions play essential roles as stakeholders who keep these foundations in check and press them to further their missions. These could include donors, grantees, community members and the government. Formal governance structures could not effectively function in a vacuum without these other dynamics.

Indicators of Successful Governance

For the purposes of this study, the following were determined to be indicators of effective governance and oversight:

- Establishing transparent and constructive board roles and processes (e.g., for engagement, meetings, recruitment, committees, orientation, rotation, succession, and termination);
- Recruiting/hiring effective chief executive(s);
- Focusing on strategic thinking, planning, leadership, and overall policy;
- Determining the organization’s overarching programmatic priorities and policies;
- Supporting management and operations without meddling or micro-managing;



- Actively engaging board members in resource mobilization and programming; and
- Successfully navigating leadership transitions and/or crises.

Summary of Results

Overall, governance proved challenging for many of the 44 grantee foundations in the study. To begin with, as emerging foundations in communities largely lacking in other philanthropic institutions, the board members of the grantee foundations often did not have the experience and skill to be effective leaders of complex, local foundations. No amount of talent, vision, commitment and credibility on the part of these leaders could compensate for this development of philanthropic know-how. As these philanthropic institutions grow, so too does the expertise of their leaders. But initial work with such foundations requires taking this lack of deep expertise into account.

Within this context, peer learning was critical to spreading ideas and strategies, and growing the leadership of board and staff members alike. Peer learning introduced participating staff and board members to new policies and different ways of doing things, and new ideas were often carried back home into policy discussions.

Yet the nascent experience of these foundations' leaders is not all negative. The lack of deep experience apparently freed some institutions to experiment with traditional governance models and explore variations in board composition, structures and processes. For instance, a significant number of the grantee foundations use their program activities and grant review committees as vehicles for recruiting and training future board members. Other novel approaches have included methods for addressing diversity and community accountability. Some foundations have done significant outreach to underserved communities and have invited those communities to become involved in nomination, recruitment and selection processes with respect to grants.

Overall, the foundations that proved most effective and resilient in terms of governance issues were those whose internal environments were characterized by mutual respect, healthy interaction, and confidence among the board members, executives and staff. Some examples of effective governance strategies include:

- Foundation for the Mid South has six board members from each of the three states in its target region, as well as “expatriate” members from outside its target region to bring in additional expertise.
- Greater New Orleans Foundation transformed its board and thus its position in the community. The LP initiative caused the foundation's board to shift into strategic planning mode, while technical assistance

shored up its leadership. As a result, the foundation became a more effective convenor in New Orleans on critical community issues.

- From the start, the Bangladesh Freedom Foundation sought a core organizing group with broad credibility and reach. Expertise from all societal sectors was deemed critical to advancing the foundation's mission. The resulting board has been purposeful about the foundation's philosophy and direction and the recruitment of its first chief executive. The board attributes its substantial progress and wide public support to its founding members' active involvement in Bangladesh's independence movement — a credibility that no amount of training could replace. It also recognized the need to recruit younger members who may not have direct experience in the country's struggle for independence but will help to sustain the foundation's work in the long-run.
- Greater Triangle Community Foundation embraced the LP initiative as a means to transform its identity and asset base. Participation in the initiative impressed upon the foundation the need to focus on board development as a top priority. Some strategic steps included reducing the board's size; eliminating the executive committee (which left many board members out of decision-making processes); and establishing a board development committee with responsibility for the board's operations.
- In 1988, Stefan Batory Foundation's founder, George Soros, selected a governing council to meet annually to review strategy and elect the foundation's board members and chair for two-year renewable terms. The board's responsibilities include decisionmaking on strategies, activities, and financial matters. Funding from Ford helped the foundation refine its organizational structure, produce bylaws and develop a manual for the staff and board — formalizing the institution beyond its founding structure.
- In the LP and RDCFI initiatives, Ford required the board members of the grantee foundations to be involved with establishing structures, policies and operations. While board members should not be too hands on, Ford wanted to ensure that they were contributing guidance and expertise in the development of these foundations.

Lessons on Governance and Leadership

From the outset, strong governance requires talented leadership and targeted training. Particularly for start-up foundations, getting the core organizing group and first executive right is key to later success, and makes subsequent steps easier. In this founding phase, the institution must be shepherded by people who have credibility and trust in the eyes of the community, as well as the skills and passion to move the foundation's mission forward. However, training and development activities, for board members as well as staff, are crucial. Particularly in communities



without a tradition of institutionalized philanthropy, professional training about foundation management is necessary if these organizations are to be operated and overseen effectively. Yet such training, particularly for new board members, is often a highly scarce resource for these foundations to acquire.

Leadership may need to change as the institution evolves. The right launch team is not necessarily the right team to carry the organization to the next level. Board committees can monitor board functioning and development, and clarify expectations as an organization becomes more sophisticated. Leadership transitions can allow for new staff and board members, with particular skills fitting the organization's developmental phase, to be brought into the foundation.

Leadership diversity issues are challenging but fundamental. It is important for the leadership of foundations to be representative of the communities they serve, if the foundations wish to have credibility as funding partners with community organizations. Thus, diversity is a critical issue for foundation leadership — challenged to include diverse voices and identities while also forging leadership that can work well together. The practice of recruiting board members from different sectors has gained broad support in recent years, particularly during the 1990s. For example, many organizations find business sector representatives to be very helpful. Still, achieving diversity in terms of level across race, ethnicity, and income/class continues to challenge boards, even though most of the target communities feature such diversity. Moreover, a commitment to changing the status quo in a community requires engaging those members of the community who are marginalized and disenfranchised in setting the agenda and strategy for change. Elite, non-representative organizations cannot on their own achieve such change. Ford's use of a "diversity table" in its grant-review process alerts potential grantees to questions of whether diversity standards exist, whether such standards are applied consistently, and to what extent these standards figure into the grantees' decision-making processes.

Creative and dynamic governance mechanisms ensure the foundation is responsive to changing contexts. It is wise to establish governance policies and processes that value traditional functionality and institutional experience, but to be nimble in the face of shifting community needs. The most effective foundations also put in place policies that value diversity and leave room for change. Indeed, funders of philanthropic institutions must recognize the necessary complexity of such processes and be patient with these institutions as they navigate their own unique models. The study revealed that advisory committees are often a useful tool for introducing and easing into new governance approaches.

Self-governance is necessary to build locally controlled, locally accountable foundations. Those investing time and money to establish grantmaking institutions must respect the need for the communities that these

institutions serve to be involved in their own self-determination through the development and control of these foundations. The direct involvement of funders in governance issues can complicate such efforts. Donor agency staff members can offer much needed expertise during crucial developmental or transitional stages. However, this assistance can also complicate relationships and stymie the development of effective local leadership, particularly if funders are assigned to formal leadership roles. Specifically, this study generated the conclusion that Ford personnel should not serve as board members of foundations they are helping to establish — as local leadership and priorities can become too easily crowded out. Similarly, support organizations or intermediaries that are appropriately attuned to the needs of the foundation and its context, can provide valuable technical assistance and give new philanthropic institutions a stamp of legitimacy. Yet their involvement also suggests a need for outside control and might create a sense of insecurity and ambiguity among local stakeholders. In both cases, the need for technical assistance and support must be carefully weighed against the possibility of creating dependency and disempowering local communities.

GRANTMAKING

Grantmaking is the primary business of all of the philanthropic institutions in this study. A foundation's resource mobilization activities and governance structures should serve this end — i.e., the mission of the foundation as a grantmaking body. Yet effective grantmaking extends beyond simply writing checks to worthy causes. Particularly for philanthropic institutions seeking to root themselves in and engage with communities, grantmaking becomes the interactive vehicle through which the foundation and the community set shared priorities and achieve a common vision. Thus, no matter its resource level or accountability mechanisms, no foundation can succeed without a well-formed grantmaking program. Moreover, no foundation can establish its credibility and role in a community without articulating and launching an effective grantmaking program.

In its technical form, grantmaking includes a host of logistics — from surveying community needs and issues, to identifying strategic responses; from matching grant recipients with available resources, to monitoring and evaluating the impact of grants. Effective foundations creatively master both the macro and micro level aspects of grantmaking, developing a strong, overarching vision for their work while also minding the details of grantmaking which keep money flowing in the pursuit of that vision.

Primary Indicators of Successful Grantmaking

In this study, the following activities were identified as indicators of effective grantmaking:

- The establishment of a grantmaking program;



- Capacity building and technical assistance services to improve the effectiveness of grantee organizations and the quality of work in the field overall;
- The development of a distinctive “niche” and the acquisition of specialized knowledge and/or experience;
- The capacity to take on critical community issues and to anticipate future needs, with particular attention to marginalized groups and social change issues (of particular interest to Ford);
- The design of a program mix that is both responsive and proactive;
- A growing capacity for assessing and understanding the impact of grants through evaluation;
- The capacity to serve donors effectively, promote donor engagement, and influence donor decisions through a variety of programs and strategies; and
- The ability to partner with, support, and leverage related work by other institutions.

Summary of Results

Simply put, as a foundation’s assets rise, its grantmaking budget and program generally increase as well. But more noteworthy are instances where grantmaking budgets rose substantially and/or foundations substantively improved the strategies and tactics behind their grantmaking work.

As a result of Ford’s assistance, most of the U.S.-based organizations in the LP and RDCFI initiatives realized substantial growth in their resource base, which, in turn, enabled them to increase their grantmaking — as measured by the amount of funds granted, the number of grants, and the amount of discretionary grantmaking. Further, roughly 80 percent of these grantee foundations worked deliberately to improve their structures, policies, and operations for grantmaking; and 60 percent indicated that involvement in the initiative strengthened their ability to reach and engage more diverse segments of communities in their grantmaking. Many participants in the LP and RDCFI initiatives used the grantmaking component of Ford’s support to experiment with new methods and/or areas of grantmaking. The most positive outcome was that this made it necessary for the organizations to expand their research and development capacities in order to develop new programs effectively.

For the Independents, Ford’s support provided resources for experimentation, expansion, and deeper explorations into specific areas of work. These resources also enabled them to build needed systems, enhance their credibility, and pursue collaborations, which reinforced the bridge-building and brokering roles so many of them play in their communities. Notably,

Ford provided flexible resources to encourage these new strategic directions, while not always participating in nor endorsing decisions about new directions.

Table 6 profiles a sample of seven grantees from three cohorts (LP, RDCFI and Independents) and compares the number and total amount of grants they made before and after they received Ford support.

TABLE 6: EXAMPLES OF GROWTH IN GRANTMAKING

GRANTEE FOUNDATION	YEAR ESTABLISHED	YEAR FIRST GRANTS AWARDED	NUMBER OF GRANTS	TOTAL AMOUNT GRANTED	NUMBER OF GRANTS IN 2000	TOTAL AMOUNT GRANTED AFTER FORD SUPPORT
Fargo-Moorhead	1960	1964	4	\$4,205	300	\$1,200,000
Richmond and Central Virginia	1968	1972	2	\$172	1454	\$19,000,000
Greater Memphis	1969	1974	1	\$1,752	5,183	\$36,875,669
Greater Lorain	1980	1981	10	\$28,000	136	\$3,800,000
Southeastern Michigan	1984	1985	51	\$538,000	2,100	\$17,900,000
Foundation for the Mid South	1989	1991	1	\$5,000	51	\$372,500
West Africa Rural Foundation	1990	1992	10	\$82,024	44	\$1,079,091

In launching these initiatives, but particularly the LP and RDCFI, Ford recognized the influence that donors often have on these foundations’ grantmaking. Strategic grantmakers are necessarily proactive – able not only to respond to needs when they arise but to analyze problems and tackle root causes before they spill over into crises. Yet frequently donors place restrictions on their funds, parameters dictating how those funds can be used, which hobble foundations in proactively addressing community issues. Thus, Ford’s vision for the LP initiative was to help the participating foundations increase their discretionary assets and thus enhance their strategic grantmaking. Similarly, in the RDCFI initiative, the goal was to grow discretionary assets at the disposal of rural grantmakers and communities.

However, like most community foundations in the U.S., the majority of foundations in the LP and RDCFI initiatives managed a substantial portion of their overall grantmaking through donor advised funds (ranging from 20 to 50 percent of their grantmaking budgets). Donor advised funds — in



which the donor retains a significant degree of influence over how funds are spent – have been a boon of support for community foundations, which attract donors with their community and grantmaking expertise. And even with growing competition from the for-profit, financial services sector (such as Fidelity Investments) there has been substantial growth in the numbers of donors placing funds with community foundations over the last 10 years. However, if community foundations are to retain their expertise and community ties – which come only from proactive engagement with local groups – they must have access to discretionary funds with which to advance their missions.

The Independents made relatively slow progress in this area. They had fewer resources to tap for developing structures, appropriate policies, and operations, especially given that there was no peer support network. Despite the fact that the API functioned as a cohort, the context of working in developing economies limited these groups' abilities to raise funds and develop their grantmaking capacity.

Lessons for Grantmaking

Grantmaking is critically important in helping foundations establish their identity and profile within communities. For an emerging foundation to establish respect and credibility in its community, it must make good on its rhetoric and demonstrate grantmaking actions that advance its mission and aid the community. Foregrounding community partnership and accountability goes even further to root the foundation in the community's context. At the same time, foundations need to demonstrate a track record of grantmaking success in order to attract donors. Thus, even at the foundation's inception, some activity in this direction is necessary in gaining the foothold.

Foundations often have inadequate access to tools that would enable them to assess the impact of their grantmaking and their experimentation. As noted above, just getting money out the door is hardly sufficient for good grantmaking. Impact, as measured through evaluation, is critical. To ensure that they are achieving their mission, and to attract community and donor trust, foundations must be able to demonstrate positive impact. Moreover, as emerging grantmakers in new fields, these foundations can yield innovative strategies – which can only be disseminated through such evaluation and documentation. Yet, as the study reveals, many foundations have inadequate access to tools to aid in such assessments – a challenge made greater by the unique contexts many of these foundations work in, whether rural communities in the U.S. or developing countries in other parts of the world.

Grant programs have a tendency to become static and stale without regular and deliberate efforts to refresh them. Numerous grantee foundations in the study, particularly in the LP initiative, revealed the value of periodic shifts and reinventions in grantmaking strategy. This is often

a strength of small or emerging foundations – they bring an exploratory approach to their work and are more open to re-examining and changing their tactics more often than large, historic funders. And as funders who must necessarily be responsive to community needs and demands, flexibility in grantmaking strategy is a valuable asset. It is important for those who fund these institutions to see such flexibility as an important asset, not a lack of strategy or focus.

Foundations must balance the need for creativity with the value of time-tested expertise. Each of the foundations in the study clearly benefited from exposure to the Ford Foundation, as a large grantmaker with a substantial amount of experience. Ford and the grantee foundations walked this line delicately; with grantees feeling that Ford’s expertise was sought more often than it was provided while at the same time individual foundations’ grantmaking priorities were respected and not manipulated by Ford’s involvement. The sophisticated small or emerging foundation must strike the appropriate balance in this respect, wisely capturing lessons that others have learned about grantmaking but also paving its own way based on unique context and community needs.

Managing expectations and finding funds to sustain them is extremely challenging. As foundations grow, in size as well as reputation, it becomes increasingly difficult to keep up with growing expectations. For instance, after several rounds of funding, foundations become faced with renewal proposals and requests for increased support – which must be considered against options for new funding and new directions. Sustaining a set course of funding can close the foundation off from new strategic opportunities, as well as funding sources with other priorities. Yet long-term investments are necessary for effective philanthropy. Here, too, foundations must determine what is most appropriate for their context.

General Conclusions and Factors for Success

The Ford Foundation's investments in the 44 foundations in this study represent investments in building a field of philanthropic practice, knowledge and experience. The technical results and achievements in the formal initiatives greatly exceed the resources invested. Most participants claim these initiatives have "transformed" their organizations. Arguably, the roughly \$30 million invested directly in the grants and learning activities associated with the LP, RDCFI and API have leveraged several hundreds of millions of dollars in assets and program support. Moreover, these foundations and their grantees have influenced local, state, and national policy. The foundations have attracted and leveraged national, international and local resources for local purposes and they offer programs that serve millions of people. They promote and facilitate the philanthropy of many thousands of donors. In several instances, they are pioneering new governance structures and approaches.

Ford set out to help grantee foundations mobilize local resources, develop effective structures for self-governance and engage in effective grantmaking. While the results relating to these goals were reported in Chapter Three, general themes and lessons can be drawn from across these goals and the 44 grantee foundations – in deducing why some grantee foundations, and some of Ford's grantmaking initiatives, were more successful than others. This chapter attempts to digest those cross-cutting conclusions, revealing the main criteria suggested by this study as prescriptions for building effective philanthropic institutions that develop pools of locally-controlled assets and advance community development and ultimately social change goals. The following lists are by no means exhaustive nor are the factors presented, by themselves, sufficient always to result in successful foundation-building efforts. At most, these conclusions are presented as rules of thumb, to help guide emerging foundations and funders of philanthropic institutions in building strong and lasting resources for community change.

WHAT MAKES COMMUNITY-BASED FOUNDATIONS SUCCESSFUL IN THEIR ENVIRONMENTS?

In addition to all of the criteria elucidated in the previous chapter, several main themes arise from this study about the qualities of certain grantee foundations – those that were best able not only to mobilize resources, stabilize governance and implement grantmaking but to aggregate those activities into a reputation of both institutional and community benefit. To some degree, this represents an almost ethereal quality, where these institutions were able to embed themselves in a community context. No doubt, just as there are charismatic leaders, there are charismatic institu-

tions, and to some extent, charisma and inspirational vision played a role in the ascent of those foundations in this study that succeeded in growing their work. But to leave the inquiry at that would ignore the sophisticated skill-building and calculus that these institutions, like talented leaders, engaged in. The following criteria can be deduced as main factors in a grantee foundation's success.

The foundation invests in and secures community trust. Local foundations must contend with a long list of stakeholders – including donors, grantees and prospective grantees, board and staff members, volunteers, community residents (ranging from the local elite/wealthy to those who experience a more marginalized existence), officials at all levels of government, area businesses, peer institutions in the nonprofit sector and financial services agencies. Managing these relationships effectively requires integrity, skill, knowledge, focus, consistency, respect, diplomacy, humility, and a wealth of engagement strategies. The most important element in these relationships is trust. Trust violated in any of these relationships has broad ripple effects for these institutions. At the same time, trust is a necessary element for these foundations to be granted the legitimacy and space to carry out their work in the community. For any new institution, trust building is a challenge. For institutions in communities with longstanding suspicion of non-governmental organizations or mistrust along lines of race, ethnicity or class, foundations may face an uphill battle in winning residents' trust. The most successful grantee foundations in this study invested thought, time and energy in building deep relationships of trust with the wide range of stakeholders, but particularly in their communities. This trust was a precursor to any ability to mobilize resources or implement grantmaking programs.

Through trust building and its selection of leadership, the foundation establishes credibility. In Chapter Three, credibility was a persistent theme. Many of the successful grantee foundations in the study established a degree of trust early on by engaging leaders with deep community roots and demonstrated success in past work. Credibility was a necessary element for these new foundations, seeking to mobilize resources and community support without a track record of work. These institutions and others also built their credibility overtime – crystallizing the community's trust into faith in and support for the foundations by demonstrating effective program leadership and impact in the community. This will continue to serve these foundations well, as challenges to their mission and institutional leadership arise in the future.

The board and staff members' tenures are marked by longevity and confidence. A key lesson of this study is that foundation building is very people intensive. Given the importance of trust and credibility in a foundation's efforts to establish itself, it should come as no surprise that the qualities of a foundation's leadership are major factors of success. But



endurance of these leaders is also critical, as high leadership turnover cuts against efforts to build capacity and deep relationships with communities. Grantee foundations that benefited from long-term leadership from board and staff proved more successful in each of the initiatives.

The foundation balances external influences with internal capacity building. An important consideration in tending relationships is that these institutions and the people involved have to live with and endure the consequences of their actions and decisions. The consultants who offer advice and funders who lend support from the outside typically do not have to face the consequences or at least not as directly. The new and emerging philanthropic foundations, on the other hand, must all manage and come to terms with the appropriate mix and interface of outside stimulus, links, and involvement in the work of community development in the target locale. They are accountable to the community for the results of their work and they must live with the consequences, intended and unintended.

Additionally, several other variables are seen to impact the achievement level of the grantee foundations:

- Age and stage of organizational development;
- Enabling environment and economic context (of the country generally and community in particular);
- Breadth of the “target community” to be served by these philanthropic foundations (ranging from very local to nationwide);
- Public knowledge and trust of philanthropic institutions;
- Routine or easy access on the part of the foundations to professional peers with practical experience;
- Leadership synergy between board and staff; and
- Explicitness and/or urgency of the social change agenda undertaken by the organization, which provides additional motivation for the work.

WHAT MAKES FOR SUCCESSFUL FOUNDATION-BUILDING PARTNERSHIPS?

Though Ford set out with relatively similar goals for all of the 44 grant-making institutions in the study, results clearly varied. These variations represent an interplay of multiple factors – from the uniqueness of the grantee foundations to the structural differences between each grantmaking initiative. Grantee foundations reported a range of tangible and intangible benefits from their association with Ford, beyond the grant checks they received (see box, page 39). Building on this, and in addition to the elements outlined above and in the previous chapter, the study revealed certain practices in the Ford initiatives themselves that contributed to the

general success of funding goals. These conclusions are presented below. More than learnings for the Ford initiatives only, these variables suggest patterns and thus provoke thinking for how Ford and other funders in the future can build successful partnerships regarding foundation-building.

The goals between funder and grantee foundations are as explicit and shared as possible. The success of the LP and RDCFI initiatives, for instance, can be in part attributed to their attempted clarity of objective. Among other goals, both initiatives were particularly focused on building the asset levels of community foundations. This goal was made plain by the Ford Foundation, and for perhaps obvious reasons, was a goal shared by the grantee foundations themselves. Such clarity of purpose, and agreement around that purpose, made success in implementation more likely. Another example is Ford's relationship with the Kenya Community Development Foundation (KCDF, an Independent grantee), in which Ford provided funding for KCDF via the Aga Khan Foundation as an intermediary. In addition to an explicit funding relationship among Ford, the intermediary and the grantee foundation, shared goals and objectives were pursued through other overlaps of relationship. A one-time KCDF acting-board chair was a consultant to the Ford Foundation, and Ford and Aga Khan staff were represented on the KCDF's board in its first six years. Conversely, many grantee foundations felt that their relationship with Ford lacked clarity and unity of purpose. One interviewee noted that Ford's power, exercised through its ability to "dangle a large pot of money in front of a grantee, albeit with matching conditions" can yield a skewed set of goals – shared more in rhetoric than reality – and create unrealistic expectations or even undesired outcomes. Less successful examples lacked clarity, specificity or a shared set of objectives.

Peer learning and technical assistance are facilitated. Opportunities to learn and reflect – with peer institutions, Ford Foundation staff and/or intermediary organizations – provided benefits beyond funding to the grantee foundations, which enabled monetary support to have greater impact. The LPI, RDCFI and API initiatives all had learning forums, technical assistance, and exchange opportunities built into them – which supported capacity building among the grantees. Such peer learning cohorts were not established among the Independents, which might have been beneficial. Similarly, the foundations said technical assistance would be more effective if the grantees could choose their own intermediaries and consultants – rather than having Ford's choices imposed upon them. Additionally, grantee foundations appreciated opportunities to learn

BENEFITS FROM FORD, BEYOND GRANT MONEY – ACCORDING TO THE GRANTEE FOUNDATIONS:

- *Relationships with and guidance from Ford staff*
- *Access to Ford's network of grantees and resource people*
- *Association with Ford's reputation and credibility*
- *Access to funds for meetings, travel*
- *Promotion in Ford's communications materials and other public activities*
- *Referrals for conferences and professional development forums*
- *Informational and peer exchange opportunities*
- *Subject matter expertise and resources*
- *Creative thinking and critical analysis*



from Ford itself, with its vast array of institutional knowledge and experience — though these opportunities were described as all too limited in frequency.

Space, time and support are all necessary to help grantee foundations meet their objectives. As small and emerging foundations, the developmental path of the 44 organizations in this study is not always straightforward. Moreover, that path is often dotted with bumps and ditches. Ford’s flexibility in implementing the grantmaking initiatives was essential to their success. For instance, when the New Mexico Community Foundation’s (NMCF) weak governing board, inadequate financial systems and limited fundraising ability appeared likely to undermine its ability to achieve the RDCFI matching grant goals, Ford Foundation staff provided support for additional technical assistance and extended the matching grant period. The NMCF eventually raised the matching funds and remains a vital resource for New Mexico’s rural people and communities. Similarly, the Kenya Community Development Foundation and the Uthungulu Community Foundation felt “pressured” with unrealistic performance expectations as part of the API — particularly in the area of resource mobilization. Ford helped these grantees surmount these challenges, linking them with technical assistance providers (the Aga Khan Foundation and Zululand Chamber of Business Foundation, respectively).

There is continuity and ongoing awareness among the funders. The familiarity of Ford staff with grantee foundations and the initiatives was of clear value, providing a consistency of oversight and a depth of engagement that can only come from program staff who are well-versed in the work. Grantee organizations generally benefited from Ford’s familiarity with them — whether through an initiative, other projects, board and staff contacts or intermediaries involved in the initiatives. In particular, both the LP and RDCFI, each of which had eight-year life spans, benefited from having the Ford staff members who conceived the initiatives remain at Ford to shepherd the projects nearly to their conclusions. With typical tenures of Ford program staff now at a limit of six years, this continued engagement would be difficult.

INTERPLAY OF DEVELOPMENTAL STAGES

The extent to which Ford’s grantmaking initiatives and the grantee foundations themselves were successful can be evaluated according to a developmental model. Each grantee’s capacity, and the relative utility of Ford’s interventions, are determined in part by the developmental stage of the grantee foundation.

The chart on page 42 displays the stages of foundation development that surfaced from this study and the characteristics that typify each stage. The chart also shows the average period of time it took foundations in this study to mature to each level of development, though it should be

noted that what took one foundation two years to achieve took another foundation dozens of years — so those averages are by no means boundaries or normalcy. Most germane to this study, the chart lists those interventions most appropriate for each stage of foundation development — a very practical guide for funders seeking, as Ford did, to build capacity in this field.

The trends and conclusions outlined above are echoed in this developmental model. Leadership — including the credibility of leaders as well as skills training — and organizational capacity surface as constant themes across the developmental phases. And Ford’s main goals for its initiatives are reinforced here: emerging foundations need constant support for resource mobilization, governance issues and grantmaking. Reflection and evaluation are also ongoing needs, which help these foundations understand their accomplishments and re-tool work for the future.

But beyond these trends, this developmental model places these institutions at different phases of their existence, and guides funding that is tailored to those varying needs. At different phases, emerging foundations may need support to research and develop programs, engage in strategic planning, bring in new leadership, ramp up communications and publicity and convene grantees or stakeholders. Thus, the model guides funders and grantee foundations even further beyond the general themes and conclusions while proposing helpful benchmarks that can be part of explicit and shared goals between the donors and the foundations.



AVERAGE TIME PERIOD AMONG COHORT	STAGE OF DEVELOPMENT	CHARACTERISTICS
1-2 years	ESTABLISHMENT Legal status, operational plan	<ul style="list-style-type: none"> Register organization Formalize leadership Launch programs Secure start-up resources from limited pool of donors Honeymoon period – stakeholders waiting to see impact
2-3 years	CONCEPTION Exploration, pre-institution	<ul style="list-style-type: none"> Outline vision Attract seed funding Engage initial leadership Plan operations, programs
2-7 years	CONSOLIDATION Prioritizing among activities, seeking synergy	<ul style="list-style-type: none"> Role, relationship to community becoming clearer Cut weak programs, spin-off or scale up good ones Refine or eliminate funding areas Tension between funding and programs Need new leadership with different skills to move to next level Improved performance indicators, metrics Focus on systems improvements
3-5 years	IDENTITY Development of services and programs	<ul style="list-style-type: none"> Face demands and make defining choices Board, staff and community craft relationships Stakeholders seek clear answers around mission, process Goals exceed means – balancing program with fundraising Usually either entrepreneurial or cautious Build board and staff skills Leadership may change as mission crystallizes
3-10 years	SPECIALIZING Recognizing strengths and expertise	<ul style="list-style-type: none"> Position foundation to build on strengths Public recognition of expertise leads to policy-oriented activities and partnerships More focused grantmaking, peer learning and capacity building among grantees Resource base more stable, diversified – mature fundraising systems
5-15 years	SCALING UP Leveraging influence to do more	<ul style="list-style-type: none"> Resources have reached 10/10 threshold – 10 years of experience, and \$10 million in permanent assets Can now accelerate growth Strategic understanding of growth – not just “more is better” but targeted goals Leaders need strategic thinking and management skills to reach next level – often need more specialized staff, board at this point
none	TRANSFORMATION Capacity to address new issues, opportunities	<ul style="list-style-type: none"> Strategies may change, including more specific focus on community served, particular interventions, social change agenda Re-tool or overhaul systems for efficiency, effectiveness, economies of scale Enter strategic partnerships and engage even more high-level, specialized staff

APPROPRIATE INTERVENTIONS

- Staff exchanges, site visits, study tours
 - Resource materials and consultant/intermediary support
 - Funds for grantmaking
 - Organizational development support
 - Board and staff training
 - Technical assistance (legal, financial, organizational, systems, fundraising, communications)
- Field knowledge and tools
 - Networking with more mature institutions
 - Funds for feasibility studies, research, stakeholder mapping and convenings
 - Board and staff training and visioning
 - Technical assistance (legal, financial, organizational, fundraising)
- Support for organizational development, strategic planning, outside evaluation (organizational and programmatic)
 - Support for new programs, experiments or to phase out other work
 - Challenge grant to accelerate growth/endowment
 - Core business planning, considering alternatives
 - Support for partnerships, collaboration
 - Professional development, peer learning, networking for staff and board
- Peer learning, exchanges and site visits
 - Funds for grantmaking, initiatives
 - Organizational development support
 - Board and staff training and visioning
 - Technical assistance (organizational, management, financial, fundraising, communications, program, evaluation)
- Training, peer learning, skills building
 - Board and staff development, strategic planning
 - Resource development (including revenue generation)
 - Technical assistance (including exposure to new models)
 - Research in specialty area
 - Support for advocacy
- Technical assistance with scaling up, legal and financial issues
 - Organizational development
 - Visibility (e.g., publicity, forums)
 - Networks for outreach
 - Peer learning and subject-area evaluation
 - Endowment support, challenge grant
 - Support for grantmaking
- Organizational reflection, visioning
 - Peer learning
 - Support for program initiatives
 - Board and staff development, sabbatical
 - Outside evaluation
 - Exposure to other models, alternatives
 - Funds to experiment with new approaches
 - Support to develop and implement resource strategy



FOR FUNDERS AND GRANTEE FOUNDATIONS ALIKE, A SHIFT IN THINKING IS NEEDED

As noted, the Ford Foundation has been investing in foundation building for several decades. Other private and government donors have been doing so longer, and the field of philanthropy building overall has a much longer history. Yet despite the dynamic changes that have occurred in the field and in the world throughout these periods, certain beliefs and assumptions about foundation development have become entrenched. This study provides an opportunity to rethink some of these conventions, as the 44 emerging foundations in this study develop new innovations and deconstruct traditional models.

Foundation building requires patience. It takes ten to twenty years of focused effort to build effective, local foundations. The shortest projection was five years, but most respondents in this study argued that it probably takes an average of ten years for one of these institutions to develop to the point of maturity where it functions effectively. Moreover, such development is rarely linear – with fits and starts and hurdles requiring additional patience on the part of the funder as well as the grantee foundation. In the interim, funders must appreciate that normal grant periods are insufficient time frames for understanding results. Results recorded during the period of grant funding periods are insufficient indicators of impact and results over time, and they do not necessarily reveal the level of capacity built during that period. For instance, there is no question that progress made and capacity built during Ford’s LP initiative allowed the grantee foundations to reach new levels of effectiveness and growth, much of which could only be documented after the grant period. While encouraging grantee foundations to set and meet goals, funders of foundation-building must recognize that desired growth and impact may take some time to achieve.

Emerging foundations are not just needy – they are vital sources of innovation in the field of philanthropy. The grantee foundations we examined are becoming highly sophisticated financial and social institutions. In short, they are more financially complex than most commercial financial institutions: they receive funding from many different donors in a range of forms, and they must provide financial stewardship and deliver returns both financial and programmatic. As a result, they need to acquire a high degree of sophisticated financial expertise as well as operational and programmatic acumen in applying their funds to social purposes and using resources strategically to address varied community issues with diverse constituents and stakeholders. On the one hand, these institutions struggle with resource pools insufficient to the missions they seek to advance. They also work without the benefit of an array of organizational tools customized to their unique needs – which vary among each of the 44 foundations in this study, which are highly shaped by local context. But

at the same time, out of uniqueness or out of necessity, these institutions have generated remarkable innovations in the field. It is through their work that we come to understand the developmental stages, tools and strategies of emerging foundations today. Thus, in engaging with these foundations – as funders, technical assistance providers or peers – it is important to support their needs while also recognizing their unparalleled contributions.

Given the innovations and variations among emerging foundations, definitions of “growth” and “success” must be rethought. While the prevailing articulation and goals of growth are analyzed primarily in terms of the size of permanent assets, discretionary assets and grantmaking budgets – all financial indicators – several of the grantee foundations have embraced broader, more complex notions of growth. Beyond assets, these institutions referenced other growth ambitions and achievements – such as the ability to grow relationships with communities and stakeholders, to grow legitimacy for the institution or to grow the diversity or number of donors, not just the dollar amounts. This point is important because it underscores that many of these foundations make deliberate, strategic decisions to pursue these other kinds of growth instead of focusing solely on the growth of their organizations’ financial assets and activities. Similarly, success might be defined not just as raising and re-granting money, but reaching marginalized groups through funding, implementing strategies to reach new grantees engaged in innovative practices, and the overall advancement of a social change agenda. Funders, technical assistance providers and the rest of the philanthropic field should take lessons from these emerging foundations in expanding these definitions.

Attention regarding philanthropic leadership too often focuses on the board, ignoring the reality of leadership dynamics among board, staff and community. The most effective funding of foundations has involved a commitment to and engagement of grantee staff and a sound working relationship between board and chief executive. Boards do not implement activities; yet success lies in implementation. A secret of success of the LP and RDCFI has been the involvement of organizational teams comprised of at least one board member, the chief executive, and a senior staff member. All three levels are needed to ensure alignment of mission, governance, management/operations, structure and program implementation. Moreover, if these foundations are to meet community needs effectively and seed social change in their regions, the leadership of communities is as vital as board and staff.

No institution can do it all. Examining the three primary goals in this study – resource mobilization, governance and grantmaking – it was generally the case that no one foundation could excel in each area. The foundations set priorities – often due to limited resources which prevented them from tackling too much capacity growth at once. At the same



time, such focus was often strategic. For instance, grantee foundations that prioritized becoming deeply embedded in local communities and advancing a community-driven social change agenda often chose to forgo raising large amounts of money from sources outside the community. Funders of foundation building must recognize and respect this need to prioritize. Moreover, mature grantee foundations must be able to appreciate their strengths and weaknesses in each of these areas and determine where to place their priorities.

Recommendations for the Ford Foundation

Ford's investment of more than \$100 million has had a catalytic effect in leveraging at least five times that amount in asset development, and probably more on the order of a tenfold increase. According to the evidence reported in this study, taken as a whole and despite some specific shortcomings, Ford's work to support foundation building over the past 25 years has been successful. Still, there is much Ford – and by extension other funders – can learn from these initiatives and this evaluation, to ensure successes are repeated or exceeded in the future.

INVEST IN LEARNING AND KNOWLEDGE MANAGEMENT

- Examine how **grant reporting mechanisms** can be distilled as regular learning tools, as these reports are currently insufficiently structured and insufficiently tapped to be sources of reflection on grantmaking inside and outside the Ford Foundation.
- Continue **learning activities** with peer funders and grantee foundations through work in partnership (see below) and extend this learning to specific fields of work (e.g., environmental justice, economic development, poverty alleviation, arts/education/media).
- Continue to provide access to **technical assistance** and capacity building resources for grantee foundations.
- Engage appropriate outside learning resource partners (including consultants, practitioners and organizations) to facilitate the learning processes. These investments **build the capacity of these resource organizations**, which aids the field as a whole. Particular attention should be paid to building the capacity of intermediaries who can work effectively with traditionally underrepresented communities. Moreover, as noted, grantees should be able to pick their consultants and technical assistance providers where possible, to ensure the grantees' buy-in and the best fit.

EXPAND OPPORTUNITIES FOR PARTNERSHIP

- Ford's program structures and processes – with different units, working on different issues, in different parts of the work – leave opportunities for partnership largely to the discretion of individual program officers and directors. Most staff feel substantial pressure in fulfilling the demands of regular grantmaking processes and have scarce time available to pursue partnerships with these organizations. Despite lack of time, there are clear cases in which partnerships have formed within Ford – to great benefit, as this study shows. Ford's structures and ways



of working should be optimized to **facilitate more internal partnerships** of this nature.

- Similarly, as one of the world's largest funders, it may appear that Ford rarely needs to collaborate with other donors to achieve scale in its programs. However, the LP and RDCFI initiatives in this study reveal the benefit of Ford's partnership with the MacArthur Foundation – in terms of not only MacArthur's additional resources, but the knowledge and skill contributions MacArthur staff were able to bring to the initiatives. Ford's **institutional partnership practice should be made more deliberate**. This would also mean more opportunities for joint learning and reflection, which helps Ford's work have greater resonance in the field as a whole.
- Whether internally, with peer foundations or with grantee foundations, Ford should be clear **about expectations in partnerships** and should establish **forums for troubleshooting**, dialogue and assessment – facilitating shared learning and reflection.

DEVELOP TOOLS FOR FOUNDATION-BUILDING

The study revealed that, although a vast body of field knowledge exists, practitioners have limited access to the tools that would enable them to draw on this knowledge. Moreover, Ford's knowledge in particular is rarely translated into useful learnings for the field. Working with partner foundations, Ford should develop a set of tools and expertise about philanthropic institution building, that takes into account the following issues:

- The notion of “normal” development of philanthropic foundations. This must be expanded to encompass a broader range of models and trajectories.
- The idea that foundation building is a short term undertaking. Investments must be scaled and timed appropriately, facilitating longer-term funding commitments and reasonable assessment of performance. Frameworks should also help funders determine at what level to fund emerging foundations and when it is appropriate to phase out such support.
- The extent to which foundation building cuts across program areas – and if not, what particular processes and elements vary from issue area to issue area.
- The issue of vocabulary and the extent to which there is a need for more precision and consistency in use – both as an internal exercise and in dialogue with organizations in the field.

These tools should be ongoing in their evolution, with Ford and others experimenting with the range of foundations to continually test and revise these principles.

THOUGHTS FOR THE FUTURE

As Ford continues with its work to build philanthropic institutions worldwide, it will continually need to revisit the issues raised in this report. In sum, Ford will need to consider:

- **WHO must be engaged in this work?** For each grantee foundation, who are the people who need to be involved in its leadership? Who are the program officers at Ford and the technical assistance providers and intermediaries who can best guide the foundation's development? Who are the peer institutions that can lend experience-based support?
- **WHY engage in this work?** What priorities does Ford have in supporting a particular foundation? What is the agenda Ford wants to see advanced? Local resource control and self-determination? Economic development? Social change? As noted, it is best for Ford and other funders to be clear about these expectations and negotiate them with each grantee foundation.
- **WHAT are the indicators of success?** What kind of performance does Ford want to see as a result of its funding and other support? Ford must allow experimentation among grantee foundations – the space that generates important innovations – but also be clear about concrete expectations regarding growth and performance. Moreover, Ford should invest in the tools and resources that facilitate success in this field, drawing on this study and other expertise.

When considered together, these factors, along with the findings of this study, can guide the Ford Foundation, other funders and emerging foundations in repeating the successes of the grantees in this study and hopefully surpass these achievements in the years to come.

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