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Good Work Attracts Good Money

By Steven E. Mayer

"Promoting sustainable communities"

"Creating communities for good"

"Connecting people"

"Building tomorrow's community"

Those slogans are typical of those used by community foundations nationwide, and they vividly capture the aims of the scores of local foundations that raise and distribute funds in a single geographic area.

Hearing those slogans and listening to leaders of community foundations, one would assume that their organizations are staffed primarily by community builders, people whose job it is to understand the challenges and strengths of their cities and towns, connect a diverse collection of people and organizations, and galvanize them to deal with local issues. But that is not the case. Instead, their staffing patterns reveal a different purpose: to build and manage big endowments.

As part of a larger effort to examine the role of philanthropy in the southern United States, my colleagues and I examined the staff composition of 20 randomly selected community foundations.

According to our analysis of staff members listed in those foundations' annual reports, those foundations have an average of nine employees apiece. Of those, an average of 5.5 positions were responsible for administration and financial management, 1.6 positions handled fund raising and communications, 1.5 jobs were focused on making grants, and less than half of one person's time was devoted to the task of providing or supporting community leadership.

The clear lack of importance attached to community leadership, demonstrated by the lack of staffing, speaks volumes about the current focus of community foundations: It is to bring in and hold money, almost entirely.

To be sure, money is distributed in the form of grants, but grant making has been reduced to a clerical operation: A brochure from the development department tells the donor that he or she

can recommend that the foundation make a grant to any bona fide tax-exempt organization, and the community foundation will make the gift happen. The entire transaction can all be done by computer, with no intervening messy conversations with staff members about community issues whatsoever.

The lack of attention to community leadership is a direct result of the way community foundations choose to respond to competition from commercial financial-services companies that offer charitable-giving services, such as Fidelity Investments and others. Such companies make no claims of "knowing the community," pledging simply that they will write a check to any tax-exempt organization that the client wishes. For that service, they charge a modest fee, lower than that offered by community foundations.

Community foundations believed that to compete with these private institutions, they needed to lower their fees. That has reduced the number of employees available to provide advice to local donors, let alone those who can meet with community leaders and help create opportunities for grant making that will strengthen their cities and towns.

The staff position of choice for a community foundation that wants to keep its fees low is a development officer who will increase the endowment. To compete head-on with commercial services, foundations do not have any room on their payrolls for a community-leadership official.

Community foundations say that their competitive advantage lies in their knowledge of the community. But by responding to competitive pressure with cuts to their community-building staffs, community foundations look more like their commercial competitors and less like community leadership institutions, thereby negating the competitive advantage they proclaim.

Innovative thinking could restore the competitive advantage to community foundations. Here's how foundations should change their approaches.

First, it is not low fees that attract donors to community foundations. Donors respond to the messages so many community foundations use in their promotional materials — that their foundation is building communities, solving problems, and tackling important issues. When donors say they want to "give back to the community," they mean they want to help make the community more livable, especially for those who haven't been as lucky or as advantaged as they are.

If a community foundation could make the case that its work — as demonstrated by its allocation of staff time, grant dollars, and endowment — is likely to improve its community's vital signs, then it will be in a position to fill its coffers from newfound sources. The real competition that community foundations face is not in the money marketplace but in the marketplace of ideas for improving community conditions.

Second, community foundations must get beyond the simple rhetoric of their slogans about "building communities that work," and learn how to do it. Putting charitable capital to work is an art form that requires new thinking and practice.

Unfortunately, philanthropies that are corporate in form — centralized, controlled, and seemingly remote — do not find it easy to engage in community-leadership activities that are sometimes messy in process and unpredictable in their results. Yet the communities that foundations serve are increasingly complex, multicultural, messy, and unpredictable.

Community foundations should work together to devise new formats, engage members of their communities, and stimulate solutions to problems and share the ideas that work best.

Third, the community-building function can be rejuvenated by revisiting lessons that foundations learned in the past.

In the 1980s and early 1990s, before private charitable services entered the scene and community foundations jettisoned their program staff members, many foundations did engage in "community leadership activities," often with the support of national or neighboring private foundations as well as local donors. They conducted research to put the spotlight on important community issues, gathered community players interested in helping, formulated priorities and obtained resources from near and far, sought a diversity of organizations to collaborate with, and built the capacity of local organizations to provide key services and bring about needed changes.

They discovered that building community and building endowments are not contradictory. Rather, the historic legacy of community foundations demonstrates that both goals cannot only coexist peacefully, but also act symbiotically: Doing good work attracts good money.

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