The Center on Philanthropy & Public Policy

COMMUNITY STRUCTURES FOR PHILANTHROPY IN AN ERA OF ECONOMIC AND DEMOGRAPHIC CHANGE

Lon M. Burns

Research Paper - 3
January 2000

UNIVERSITY OF SOUTHERN CALIFORNIA

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The Center on Philanthropy and Public Policy promotes more effective philanthropy and strengthens the nonprofit sector through research that informs philanthropic decision making and public policy to advance public problem solving. Using California and the West as a laboratory, the Center conducts research on philanthropy, volunteerism, and the role of the nonprofit sector in America's communities.

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Printed in the United States of America

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Acknowledgments

The observations shared in this report on *community and giving* at the beginning of the new millennium are my own, and I take full responsibility for them.

Those observations and their related findings, however, resulted to a significant degree from the generosity of many people who shared their time and thinking with me. I much appreciate their help, and their shared commitment to the promotion of a more effective philanthropic sector.

In particular, I want to acknowledge the contributions made by Greg Buesing, Elise Buik, Tony Espinoza, Virginia Esposito, Diane Garfield, Joe Haggerty, Irv Katz, Alan Pardini, Joanne Scanlan, Jack Shakely, Tom Reis, Tom Ruppanner, Don Sodo, Sterling Speirn, Joe Valentine and Jeff Wilcox.

L. M. Burns
December 1999

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1. Introduction

"I believe that as we learn more about civil society, we will increase our appreciation for the interplay between the individual and the social. I suspect we will come to understand how interdependent the personal and communal are."

David Mathews [1]

"Dollars make poor social cement. They can only create the conditions that may bring a community together. They do not of themselves constitute an effective bond. A relationship may be instituted by case, but it is in coming together around a true community need that an enduring connection is likely to be made…When what was 'their problem' becomes 'our problem,' a mere association is transformed into a community."

James A. Joseph [2]

The topic of "*community structures for philanthropy in an era of economic and demographic change*" is a daunting one in its potential scope and complexity. Clearly, a detailed analysis of the issues that could be logically subsumed under such a heading would require far more depth – and pages – than this paper allows for. One could in fact easily use this entire paper to write about any one of the primary groups dealt with in this paper – institutions serving to help connect, inform and aid people in manifesting their charitable impulses.

Given that potential breadth, choices needed to be considered and made about both structure and focus. As a result, it is the intent of this paper to consider the roles and operations of three specific sets of institutions – United Ways, Community Foundations, and "Alternative"/Identity Funds – with a primary focus on the first two. It is the further intent of the paper not to provide in-depth historical analyses of these institutions, but rather to assess them within a broad community construct.

Bridging Role

There are a number of reasons for being interested in how these institutions fit within the world of organized philanthropy.

First, these institutions play an important *bridging* role in the philanthropic world, operating as hybrids between the more traditional world of organized philanthropy and the broader nonprofit sector (with the former being primarily comprised of independent and family foundations, though community foundations have been seen as part of that world for a long time).

Often, people tend to think of the world of organized philanthropy as representing *grantmaking* organizations, while the broader nonprofit sector is often thought of being comprised of *grantseeking* public charities (though it in fact includes organized philanthropy as well). In the case of community foundations, United Ways and so-called "alternative" (or "identity") funds, we have a hybrid: grantmaking organizations that need to raise funds in order to make grants.

Thus, the operations of these entities encompass both fundraising and charitable disbursement functions. As a result of that duality, these institutions serve an overarching bridging function in connecting people to their communities of interest in a charitable manner.

Market Economy

Another reason for examining these organizations stems from their operational realities: by virtue of their need to raise monies to operate and make charitable contributions to others, they operate in a *real market* economy (at least as compared to private foundations). Their successes are dependent upon their abilities to not only do well with the money and other resources that they have, but to raise those funds, and to do so regularly. Thus, like most businesses, they must be concerned about constituent relations, impact of external forces on their market, external relations, and a wide variety of other factors that private foundations may only choose to deal with (beyond meeting their legal operational requirements).

Place/Reality-Based

A third primary reason for studying these institutions lies in the fact that, at least with regard to United Ways and community foundations, that they are "place-based": i.e., they are tied to a particular piece of geography. They are community-defined in terms of geographic communities, whether that's a city, county, region or state. They have a codependent relationship, as it were, between themselves and the turf that they claim to be concerned about. They are "grounded" – both in terms of where they generally seek their support and focus their charitable operations.

Therefore, and as a combination of all the above, these philanthropic intermediaries operate in the real world to a degree not shared by their other foundation colleagues: i.e., they are *place-based* institutions operating in a *market economy*. This institutional connectedness further results in their being a type of early warning device for societal changes likely to affect/impact organized philanthropy as a whole.

General Focus

With those points in mind, the paper will provide some background information on these three sets of institutions, both current and historical. Part of this is simply to provide some concreteness to the conversation, and to give some shape to the observations. Beyond that, however, the paper will explore some of the primary roles these institutions currently have – and may have in the future.

From that specific institutional look, the paper will then move on to consideration of some of the key challenges in the relationship and operations of these intermediaries to the concept of *community* itself.

Finally, the paper moves to consideration of some future related research issues worth considering, and then ends with a discussion of some of the overarching sector issues raised in this exploration.

2. Methodology

As noted in the Introduction, the purpose of this paper was to do a broad scan of the world of philanthropic intermediaries, with a particular focus on United Ways, community foundations and "alternative" funds.

Given that task, a number of basic approaches were undertaken with regard to data and information collection:

- Interviews with people working directly with the institutions being examined;

- Interviews with others knowledgeable about the institutions and/or organized philanthropy in general; and

- Reviews of relevant studies, papers and articles.

The result of that process was to identify a number of people with direct experience, many people with opinions, and a growing number of articles on the subjects. Quantitative data was also obtained and reviewed, particularly with regard to size and scope of various funds. That data is generally accessible either through annual reports of individual organizations, their websites, and/or through presentation of collective organizational data over time (e.g., the annual surveys on community foundations carried out by the Columbus Foundation, or the national survey on community foundations produced by the Council on Foundations).

When one adds the matter of the theme of the upcoming USC Nonprofit Studies Center Forum – *"What's 'New' About New Philanthropy?"* – then the existence of solid research diminishes. This is due in part to the newness of the questions about "newness" itself. It also is due to a comparative lack of research on the philanthropic sector in general.

Given the above, the findings and observations in the following sections are not intended to represent an accurate depiction of what is occurring within the institutions reviewed based upon any comprehensive analysis of data. At the same time, they do reflect the observations of a number of people with long experience within those institutions and/or organized philanthropy. As such, they appear to be valid for purposes of considering the institutions and related issues, and for the development of a more formalized research agenda for the future.

3. Environmental Scan

"California? It's not so much a matter that we're different here, but that it happens here first…"We are what the rest of the United States will be."

United Way representative

"In the Connective Era, a pair of powerful forces – diversity and interdependence – are pulling in opposite directions. Diversity sets us apart, focusing on our differences, our distinct individuality and independence. Diversity has set the traditional independent and competitive context for business organizations, whose mission statements emphasize their uniqueness… Interdependence, by contrast, emphasizes mutuality and commonalities, driving us toward collaboration, networks, and alliances. It is the combination of diversity and interdependence that creates the special leadership conditions of the Connective Era."

Jean Lipman-Blumen [3]

The broader environment within which organized philanthropy and the institutions assessed in this report finds itself today is a dynamic one, to say the least. It is also, as noted by organizational sociologist Jean Lipman-Blumen, a more "*connective era*" – a time when society and its institutions (including organized philanthropy) increasingly find themselves wrestling with the seemingly countervailing forces of greater diversity and interdependence.

The more notable, sometimes conflicting, sometimes reinforcing characteristics of this connective era include:

a) A robust economy, seemingly achieving new heights daily (at least for those who are doing well in this economy);

b) An incredible period of wealth creation, with an explosion of people becoming extremely wealthy at inordinately young ages (particularly in the hi-tech industries);

c) Building on that wealth is the beginning of what is currently estimated to be a $17 Trillion (and rising) transfer of wealth in the coming years, some of which will likely be translated into charitable dollars for a variety of reasons;

d) A continuing shift from a Service economy to an Information one;

e) Ongoing, major corporate restructuring, featuring corporate mergers, acquisitions, downsizing and/or "disappearances;"

f) Rapid demographic changes, particularly in the West and especially in California;

g) A more informed body of donors than in prior years, who increasingly want to be (more) personally involved in directing where h/her charitable dollars go;

h) Continuing significant expansion in the number of nonprofit organizations, generating more choices for donors, more competition for needed dollars and more difficulty for organizations in establishing clear identities;

i) A rapid increase in the numbers of people and organizations using the Internet for a variety of purposes, including for identifying worthy charities and/or making charitable contributions to them;

j) A growing divide between the "haves" and the "have-nots" in many areas, including income, educational levels and performance, and technological knowledge and access;

k) A rapid narrowing of the ways in which individuals identify the communities that they are a part of/belong to; and

l) And, simply put, a more complex and interdependent world in general.

It is within this overall context that this organizational scan was carried out, its assumptions developed and its findings offered.

4. United Way(s)

"Federated fund-raising organizations…embody a particular model of community decision-making – an American consensus model. The model is predicated on the fundamental assumption that there is a sufficient communality of interest around basic values and goals to permit citizens to come together to solve their problems, share valuable resources, gain mutual benefits, and achieve a public good…" [4]

Historical background

United Way is as American an institution as "Mom and apple pie" (and the National Football League), and has seemingly been a part of our communities forever. Whether in its current organizational form as the United Way, or in the Community Chest drives of earlier years (complete with their red feathers), or in other predecessor bodies, Americans have worked together in seeking to promote the general community welfare through the United Way since its inception in Denver, Colorado in 1887 as the Charity Organizations Society.

Modeled upon the similarly named organizations in England at the time, the creation of this new charitable vehicle in the United States represented a most American approach to poverty: a "…scientifically organized notion of charity [which] led to the search for increased coordination and planning of services, and [which] was eventually connected to coordinated agency funding as well." [5]

The Denver model was further modified into a more recognizable federated fundraising organization several years later in Cleveland with the creation of the Cleveland Federation for Charity and Philanthropy in 1913. [6] Here we see the bringing together of the leadership of the business community along with those concerned about the social conditions of the poor and other disadvantaged peoples in the community. It was based upon the idea that there was value in bringing the leadership of the community together to address issues of poverty in a calculated and deliberate manner. More specifically, as noted in Eleanor Brilliant's book on the United Way,

"The proposals put before you seem…not only reasonable but positively inevitable if the problem of philanthropy in Cleveland is to be solved. The plan proposed differs in essential points from any other city. It is not a federation of organizations alone as in Denver, nor of givers alone, nor of both together. It is a federation for the advancing of charity and philanthropy, of institutions, of givers and citizens. It does not intend to be merely a…collecting agency…It will hope to produce its results in the way of a wiser distribution mainly through a better educated giver." [7]

So with that we have the basic modern United Way model: business leaders and other citizens coming together to assess local charitable needs, and to make informed decisions about how to best raise and disburse funds to address those need. And, given the set of concerns that led to the creation of these institutions, the focus was on health and human service needs.

Before moving to modern times and some of today's challenges for United Way, it is important to pay particular note to one of United Way's key underlying assumptions (ones that are increasingly problematic): i.e., that there was a sufficient degree of shared values and life-experiences within our nation's communities to support a consensus model of community funding and problem-solving, predicated upon an informed body of community decision-makers.

Further based upon that assumption was another of United Way's professed virtues and roles: i.e., that its *processes*, replete with citizen participation, made it a key part of the civic culture and a vehicle for participatory democracy. This adds a set of "civic virtues" that go beyond the purview of most charities, at least in its intended, deliberate way.

<u>Today's United Way: Campaign</u>

From those organizational and fundamentally Midwestern roots emerged the modern United Way – including United Way of America and its network of local United Ways across the country. A recent fact sheet produced by United Way of America notes that there are 1400 local United Ways, providing support to approximately 45,000 organizations. [8] A recent article in The Chronicle of Philanthropy [9] noted that the United Way collectively raised almost $3.6 billion in its 1998-99 campaign, a 5.1% increase over the previous year and double the nation's inflation rate. Of that amount, the primary sources of those funds are worth noting:

- Almost 50% was given by employees of corporations and small businesses (through workplace giving plans);
- 23.4 % was derived from "Leadership gifts," major gifts from individuals (up almost 20% from the prior year, and an increasingly important fund source); and
- 22.2% from corporate giving (i.e., from corporations, not their employees).

While overall giving to United Ways nationally is on the rise, it is not up significantly over the past 10 years. According to United Way of America figures, it raised $2.78 billion in 1988, which increased to the $3.58 billion by 1998 – a 28% increase in total giving over the decade. However, additional United Way materials note that when adjusted for inflation over the same period, total dollars raised by UW as actually down (with $2.35 billion in inflation-adjusted 1998 dollars and $2.19 billion in adjusted 1999 dollars).

There are a number of reasons likely affecting those campaign totals. Among those cited by United Way and other sources are increased competition from other campaigns (both from individual organizations and other federations) and the negative impact of the controversy surrounding former United Way of America CEO William Aramony (with a major drop-off in contributions coinciding with the growing public awareness of the Aramony scandal).

In fact, several other articles in the Chronicle of Philanthropy noted that United Way's share of charitable dollars had been falling for a long time. In its May 20 issue, it was noted that United Way's share of total charitable giving "…ha[d] been shrinking for more than a decade…In 1987, United Way took in 3.2 percent of charitable dollars. By 1991 – the year before the scandal came to light – the proportion dropped to 3 percent. In 1997…it was down to 2.4 percent." The article went on to quote United Way spokesman Anthony DeCristofaro, who said, "Whether Bill Aramony ever stepped onto a Concorde, we were losing market share before '92." [10]

The Current Environment: Issues and Options

"United Ways are constantly involved in repackaging and remarketing the same approach."
Former United Way Staffer

"There are three issues of major concern to the United Way today: a proliferation in the number of nonprofits; the changing workplace; and United Way's image."
Current United Way Staffer

It is clear that additional factors are affecting United Ways as well. Many of them across the country vary in how they have defined themselves and how they carry out their activities. Many reflect a traditional United Way model: i.e., an organization primarily raising monies in support of a specific pool of member health and human service organizations, involving volunteer leadership in the raising and allocating of those monies. Their goal is to provide support for a generic community fund, one that can then be allocated based upon an assessment of overall community needs and an appraisal of individual member agency requests.

But maintaining such a traditional model that emphasizes United Way's role as a "more informed" decision-maker representing the overall community has become increasingly difficult for a number of reasons.

One reason goes back to one of the underlying assumptions of United Way's creation: that United Ways operate within areas whose citizens broadly share a sufficiently similar view of their communities to develop a consensus approach to raising and disbursing funds to address health and human service needs. In a region of rapidly changing demographics such as California's, however, the ability to either find or craft such communities capable of achieving such consensus views is becoming increasingly difficult and problematic.

These matters are further compounded by typical United Way – Member Agency relationships. Most United Ways still operate as classic federated campaigns, with a fundamental "special" relationship with a limited group of member agencies. Those relationships are quite complex, and worthy of a lengthy paper to do justice to them. For purposes of this paper, however, suffice it to say that there are often significant strains in the relationships between United Ways and their member agencies. This is especially true as the level of support that many of those agencies receive may be in the 10 – 15% of annual budget range, accompanied by seeming plethora of United Way restrictions on the agencies' abilities to do independent fundraising.

New Conditions: Controversy, Confusion and Challenges

But those issues have been endemic to the United Way almost from its existence. And attempts to deal with those strains have worked to varying degrees in various places. A set of newer conditions, however, have led to some serious challenges and opportunities for United Ways these days, including:

- Contractions in the traditional corporate/employee market;
- The rise of a more informed individual donor;
- And related to the last point, a rise in the interest of donors to play a more direct role in designating where their charitable dollars go.

These and other forces are making it increasing difficult for United Ways to remain as they were – a generic community fund representing and serving a generic community.

Donor Designation

These forces have ultimately focused on United Way's donors, who increasingly have been seeking a greater role in directing their own donations. Faced with a growing reluctance from traditional supporters to continue to support their United Ways in the same way, many United Ways responded by adopting *donor designation* or *donor option* programs. These provided an opportunity for donors to direct where there contributions to a United Way would ultimately go (first approved by the board of United Way of America in 1982). [11] Such donors were often still encouraged to leave United Way with full discretion for what to do with the donor's contribution, or to designate a broad funding area. But they were also allowed if not encouraged to designate a specific agency to which their contribution should be given…and not necessarily even to a United Way member agency.

Given that United Way's original model projected a message that contributions which went through United Way's processes would result in a more informed, better decision, "donor designation" was a major shift. And it created a number of problems, both internally and externally. It was becoming harder to clearly understand, let alone support, the work of some individual United Ways as their missions got murkier. And many United Ways were finding themselves with a split personality as they utilized broad "mission messages" reflecting an earlier generic fund model, while operating a pass-through "we'll send it where you want it" process.

And the growing attractiveness of donor designation programs to United Way supporters brought other problems. United Way's basic model requires an ability for it review processes to have discretionary dollars about which to make decisions. But as donor designations grew, often with designations being made to specific organizations rather than targeted funds (e.g, for children or the elderly), many United Ways found themselves with increasingly little authority to make any decisions (especially after factoring in administrative expenses).

For example, a recent article in The Chronicle of Philanthropy on donor designation noted that in Baltimore the impact of having 1/3 of the United Way campaign dollars come as designated dollars (including for non-United Way member agencies) resulted in member agencies having their United Way allocations cut by 8% -- even in a year where the overall campaign raised more funds than ever. [12] In another example, the United Way of Cleveland instituted a policy that required minimal levels for designated grants and a requirement that 50% of the grant would go to the United Way's general fund. [13]

Branded or Branding?

"United Way has traditionally been all things to all people; now there's a confusion in the marketplace around United Way's mission and operations."

United Way Official

"The message…is that no company can succeed today by trying to be all things to all people. It must instead find the unique value that it alone can deliver to a chosen market."

Treacy and Wiersema [14]

Where does this take United Way? Basically, United Way found itself trying to rebuild itself from a national scandal involving its former CEO, with flat campaigns and dropping market share, and a confused message and reality. The response to this situation has basically focused around two issues: improving its message and organizational focus. That further resulted in particular attention being paid to the issue of "branding" – i.e., looking at, being concerned about, and modifying where necessary the image of United Way held in people's minds.

Coming from a more business-like perspective than has been typical in the nonprofit world in the past, organizational leaders concerned about their organizations' "brand" (or the need to create one) are significantly market and customer driven. They are concerned about who their "customers" are or can be, what products they can produce to meet their customers needs or wants, and their ability to produce quality products "better, faster, cheaper."

For United Way of America, and for many individual United Ways across the country, this means refocusing the organization. It means trying not to be all things to all people, but rather to select and focus upon a particular few issues, and then to attempt to generate the level and type of support that would result in being able to have quantifiable impact…and to show it. For the United Way of Los Angeles, for example, one piece of that strategy is to increase its public commitment to addressing the needs of the working poor. Similar situations are occurring elsewhere. But the bottom-line with those concern about the United Way message is that there is a need to redefine, focus, and to communicate that focus effectively to others.

For some United Ways, it also means a move toward reorganizing internal operations, so that they better reflect a more comprehensive approach to community problem-solving than the traditional divisions between fundraising and allocations that had previously existed. One example of this movement is reflected in the United Way of America's current effort to promote "community impact" strategies. [15] Here, local United Ways are being encouraged to focus their efforts on a few key community issues. In addition, they are being further encouraged to reorganize themselves internally.

For example, instead of dividing up the organization along functional lines such as fundraising and allocations, United Ways are being supported in reorganizing by selected impact areas (e.g., improving children's health), and integrating the operational functions under those areas.

Community Impact Model

Add value to the community beyond that of the independent efforts of agencies in the area of health and human services	→ ←	Conduct cost-effective, donor-oriented fund-raising to increase financial resources

At the same time, there are others who believe that the problems are more structural. For them, the United Way will not be able to achieve the effectiveness and community impact it desires until it drops the concept of member agencies. For these people, the future of an effective United Way lies in organizational independence as a funder, in addition to the issues of focus and understood commitment. The United Way of the Bay Area in San Francisco is an example of this, where they no longer have any formal member agency designations. Instead, the United Way of the Bay Area chooses which community organizations to fund based upon an organization's capacity to effectively do the work, rather then on any formal relationship with the United Way itself.

Demographic Changes

All of this is further complicated by the question of how many communities really exist within our regional boundaries. Is there truly an "LA community" anymore, or are there many, separated particularly by geography and ethnicity? And if the latter is true, as noted by one United Way leader, then issues of the degrees to which United Ways can and/or do involve the leadership of various ethnic, geographic and other groups within their areas will also have significant impact on their ability to address their broad missions.

Where Next?

What this suggests is that much of the basic United Way model, and perhaps role, is increasingly up for discussion – both within and outside of United Ways. Where these deliberations end up will likely determine the degree to which United Ways can continue to play an important role in their communities – or become relegated to simply being another funding body, seeking support for health and human services.

5. Community Foundations

"Money is not going to be the measure of [community foundations'] influence on the quality of American life. [T]he values which they recognize, nurture, and promulgate can have an impact which far surpasses the effect of their material resources. Community foundations stand on the threshold of a new vision – institutions which sustain and disseminate those social and civic values that make community life feasible and fulfilling."

Dwight Allison [16]

"We're not a grantmaking organization, we're a philanthropic services corporation. We provide an opportunity for people to be philanthropic, and to do so faster and cheaper. We don't assume that we're smarter."

Community Foundation Rep

Community Foundations, as generally thought of, are place-specific, generic funds that typically have served several primary purposes:

a) "maintain and enhance the educational, social, cultural, health and civic resources and fabric of the community through support of qualified nonprofit organizations;

b) manage assets and distribute income, and principal when permitted, from funds created by donors' charitable contributions and bequests in a manner consistent with donors' specific and general interests and intent; and

c) provide philanthropic leadership, through the actions of the board and staff, that builds endowment and nurtures and promotes improvements in the quality of life in the community." [17]

In the latter disbursement/grantmaking modality, community foundation donors may give the foundation total discretion as to how and where to make a grant with the donors' funds, or select a broad program area to direct the foundation staff, or specify exactly which organizations they want to receive their funds. As such, these foundations have some of the characteristic issues shared by United Ways' donor option programs: i.e., they serve as a philanthropic intermediary with a range of discretion, depending upon the desires of individual donors and their funds.

Interestingly enough, community foundations share with United Ways a Cleveland birthplace, in 1914 – and, to a degree, a set of underlying assumptions born in the American heartland. In many communities there was a direct, supportive relationship between community foundations and the local Community Chests (the United Way precursors). In fact, following WW II, "…Postwar community foundation leaders…emphasized a version of the purpose stressed before 1929, the creation of a strengthened framework for private charity, a framework responsive to business and professional leadership and independent of government." [18]

Further, in reflecting the basic constructs of the United Way model in terms of involving business leadership and being independent of government, it was not surprising to find that many of these community foundation leaders "…insisted that their main purpose was to strengthen the local Community Chest." [19]

Where these institutions have differed historically has been with regard to their target donors and supporters: United Ways have typically gone after support from public and private employees though payroll giving and their corporations in the latter case. Community foundations, on the other hand, historically dealt with familial philanthropic entities, often but not necessarily involving funds established at the time of an original donor's death. Both involved using a staff of people knowledgeable about issues so that by giving discretion to the organization for ultimate decision-making, a donor (regardless of type) could benefit from the expertise of the United Way/Community Chest and/or community foundation staff. Old distinctions, however, have disappeared as both entities became increasingly competitive in seeking support from all forms of givers and giving, both living and not.

Community Foundation Growth

According to the 1998 annual survey of community foundations carried out by the Columbus Foundation [20], community foundations continued to expand at exponential rates. Among the survey's findings were the following:

- Total Gifts (to the foundations) – exceeded $2.8 billion, up almost 17% from the prior year (and up from $427 million in 1988).

- Total Grants Made – exceeded $1.5 billion, up nearly 23% from 1997 (and up from $373 million I 1988).

- Total Assets = $25.2 billion, an almost 19% increase from 1997 (up from $4.8 billion in 1988).

- 66 community foundations received more than $10 million in gifts, compared with 8 in 1988.

- 38 community foundations paid grants of $10 million or more in '98, compared to 7 in 1988.

- 51 community foundations have over $100 million in assets, compared to 12 in 1988.

Mission Management

An ongoing issue for community foundations in general, similar to what we see in United Ways, has to do with their missions. As they have grown in size and service options, fundamental questions have arisen as to whether their role is to address community needs, or to assist donors to make charitable contributions, or both?

Some community foundations have a particular and declared concern for one or more issues. While comfortable perhaps in accepting strictly designated funding from a donor organization, potential donors to such a community foundation would have a clear understanding up front that discretionary funds given to the foundation most likely to be used to address a specific issue (e.g., poverty or racism). It can be argued that such a community foundation "stands" for a particular issue or set of issues, and thus its values are transcendent over the funds that it manages, when possible.

Other community foundation leaders, as reflected by the quote at the beginning of this section, believe that while they have staff with expertise to direct discretionary dollars, their primary role is in supporting the philanthropic wishes of their funds' donors, regardless of how specific those wishes might be. Here, a growing belief in both the authority and intelligence of donors has led to a comfort with donors' wishes that didn't always exist previously. In this case, the issue of "designation" is not viewed as being problematic; rather, it is seen as a quite appropriate role for the community foundation to act as agent for donors in getting funds to where the donor intended.

And, there are those who say that both approaches must be engaged – that the "value added" that a community foundation can bring results from the ability to respect donor's wishes, while working to help the donor make a more informed decision.

<u>The League of California Community Foundations</u>

One of the more significant changes occurring recently with community foundations is in their coming together to achieve greater impact through collaboration. One clear example of this exists in California, the League of California Community Foundations. Created in 1994 with the expressed purpose of "…[advancing] collaboration among California's independent charitable institutions, the League exists to support the work of the state's community foundations and to extend their reach." [21]

Of more interest was one of the primary motivations for the League's creation: i.e., the need for a major funder to find a statewide re-granting vehicle. In the case of the League, it was deemed by Blue Cross of California to be the perfect vehicle for getting a significant amount of money distributed to community clinics throughout the state. Seizing the opportunity presented to them, the independent and non-connected community foundations in California were quick to come together to create a vehicle for that refunding – and out of it, created an ongoing community foundation infrastructure in the state. [Note: The League currently includes participation from at least 20 of the state's community foundations, all committed to working together to increase their individual and collective impact.]

<u>Who's the Customer? What are the Services?</u>

What does all this mean for community foundations?

For one, the combination of the significant expansion in the numbers of wealthy people in this country, combined with the knowledge of the community foundation staff, and the ease in using these institutions has resulted in community foundations being one of the fastest growing sectors in organized philanthropy. This is true both in the creation of new ones as well as the increasing size of both new and existing ones.

It also means that community foundations, like United Ways, have a concern about their image, both locally and nationally. Organizations perceived to have a generic focus and that "stand for everything" are ultimately in danger of being perceived as not standing for anything. In an increasingly complex world, where people seek to address their needs in quicker, easier ways, it is perhaps no longer realistic to expect people to take the time to explore such broad-based "community" organizations to find a core service or program – whether by a potential client or donor.

Organizational Competition

This is particularly true as the ground changes rapidly around most institutions, including community foundations. For much of their past, competition was perceived as coming from United Ways, in terms of the two institutions' roles as philanthropic intermediaries for their communities. This competition was mollified by the traditional distinctions which used to exist between United Ways running annual campaigns based on smaller donations from employees, while community foundations were used as vehicles for wealthy donors, many of whose presence was manifested by trusts set up after their deaths.

But as noted earlier, the life-death distinction no longer holds to differentiate Community Foundations from United Ways. Planned Giving and the seeking of major gifts from live donors is becoming an increasingly important feature of many competitive fundraising organizations, including United Ways. And competition for potential donors' attention, and funds, is growing commensurately.

For those and related reasons, Community Foundations too, along with United Ways and others, are increasingly concerned about "branding" – i.e., the image that people have of institutions, including their activities, services and values. In The Discipline of Market Leaders, [21] the authors describe three basic approaches for companies to creating needed value for customers:

a) through *operational excellence* – companies that "…deliver a combination of quality, price and ease of purchase;

b) through *product leadership* – "…a company [pushing] its products into the realm of the unknown, the untried, or the highly desirable;" and

c) through *customer intimacy* – "…a company that…builds bonds with customers like those between good neighbors."

The primary message of this and other similar works is the critical importance of an organization in a competitive environment learning to clearly define what it's product(s) and product niche is, and then to effectively organize itself to be effective in its efforts.

This is a prime challenge for many community foundations, and one that a number of them are seeking to respond to collectively. One manifestation of that search is the recent creation of "Community Foundations of America." This represents a major shift in community foundations coming together to create a national identity and infrastructure. As noted in the chart below, the focus of this new entity will be to help individual community foundations better define and position themselves in a highly competitive environment (especially with the advent of the Fidelity Charitable Gift Fund and other such funds).

Community Foundations of America [22]

Purpose: *To offer Community Foundations the tools and environment to excel.*

Activities Possibly to Include:

National Marketing – National Branding, National Planned Giving, National Funds, New Ways to Attract Donors, In-Kind Donations, National Contracting

National Product Development and Delivery – inc. development of technology and related products for use by community foundations.

National Ownership – Corporate and Trademark Ownership

National Back Office Operations – inc. Purchasing, Human Resources, Personnel and Staff Development

Standards of Quality Control – development of national standards and benchmarks of quality community foundation performance.

As a result of all of this, community foundations, like Dorothy and Toto, have realized that they are not in Kansas anymore (except, of course, for Kansas community foundations) – and why the need to be clearly identified and understood is so important.

6. “Alternative”/Identity Funds and Workplace Giving

“At the same time that Latino funds draw deeply on historical traditions in America, they also grow out of important new forces that organized philanthropy would arguably do better to embrace than resist. The development of Latino and other constituency-focused funds mirror a broader trend in our society and in our world towards more democratic and responsive systems institutional systems and products.” [23]

A last group to be considered, at least briefly, is that of “alternative” or “identity” funds, and the somewhat related issue of workplace giving.

In the case of these so-called “alternative” or identity funds, we are talking about organizations that typically are issue-specific in their concerns, as opposed to more generic community funds like a United Way. Also, as opposed to United Ways and community foundations, they are typically *not* place-based either. That is, while they may make grants within a particular geographic area, their focus is typically on one or more related issues rather than the geography, or “place,” itself.

Further, these funds have often been viewed as “alternatives” in their roles as being options for potential donors that went beyond more traditional philanthropic vehicles in either their focus, beliefs and/or strategies. For example, these organizations are typically aligned with a more deliberately activist agenda dealing with “social justice” than that of a United Way. In addition, the issues of concern to some of them often fall outside of the traditional United Way “health and human service” arena (e.g., in dealing with the environment).

In describing such alternative funds, the National Committee for Responsive Philanthropy (an advocacy organization which supports the development of these funds) lists a number of examples of national and local alternative funds ones: [24]

National – typically representing a consortium of related charities, including:

a) International Service Agencies – deals with international disaster relief;
b) National Voluntary Health Agencies – raises funds for a variety of health charities;
c) Earth Share – representing environmental groups;
d) America’s Charities – represents a wide diversity of groups involved in workplace fundraising; and
e) National Black United Fund Federation of Charities – supporting African-American projects and organizations.

Moreover, NCRP notes that there are now in excess of 200 alternative funds since their inception almost 30 years ago, including 8 women’s’ federations, 44 social action funds, 17 environmental funds and 20 black united funds. There are also similar local funds, some counterparts to national ones and some fully independent.

In addition, significant support has come from major funders, including the Ford and Kellogg Foundations and the California Endowment along with other funders, in supporting capacity building and other efforts of a number of "minority"/ethnic funds.

Workplace Giving

For many of these alternative funds, one of their prime fundraising strategies involves workplace fundraising: i.e., getting employees, particularly from large corporations and governmental agencies, to commit to making monthly contributions through payroll deductions.

This requires, of course, a willingness of the organization to allow these funds entry to the employees, both in terms of sharing information about the various charities' activities and to their participation in what's typically an annual employee giving campaign. These campaigns had often been solely open to United Ways and their more generic health and human services funds. As a result, there has been a long and involved history of attempts by these and other similar funds to have access to major corporations, government employees at the local level, and the Combined Federal Campaign at the national.

Workplace giving is an issue of some import for a variety of reasons. For one, individuals, not charitable institutions, provide most charitable giving in this country. Workplace giving, particularly where the companies or governmental units are large, provides an efficient way to access and address the interests of large numbers of workers without having to go door-to-door. In addition, the cost of raising funds this way is comparatively low.

In addition, and more relevant to the issues at hand, the experience according to Don Sodo, president of America's Charities (which supports choice in workplace fundraising), and others is clear: that when employees are given more choices about where to make charitable contributions, the total amount of charitable giving goes up. Sodo noted that: a) employee giving at Sears went up 29% with increased choice; b) Dell Computer's employee giving increased almost threefold as increased choices were made available; and the City of Dallas campaign increased 30% its first year with expanded choices. [25]

At the same time, Sodo noted that further that while the average workplace gift is going up, now averaging $120 per participating employee annually, there are fewer givers. What's also not known, and of concern to Sodo, is whether employees who have opted out of workplace giving campaigns have reduced their charitable giving in general, or only shifted the ways in which they do it. Lastly, Sodo notes that employee participation in employee giving campaigns is about 35% of employees currently, down from 45% a decade before.

As noted, the primary point of interest here is what experience in the workplace and elsewhere has been telling us for some time: i.e., that people want more choice and direct involvement, whether in making charitable contributions or in buying housewares.

Narrowing Identification

Lastly, these funds are perhaps of primary importance in their reflection of people's narrowing views and definitions of the communities that they identify with and/or to which they belong.

As noted earlier, United Ways and Community Foundations have typically and historically related to *geographically defined* communities. They have also been built upon a broad, relatively generic view of who constituted those communities. In the case of "alternative" and "identity" funds, however, we find people defining themselves as members of communities differently and more narrowly: e.g., by race and ethnic group, by gender, by sexual orientation, by religion, and/or by particular issue areas (e.g., out of concerns for the environment, AIDS, etc.).

In some communities, this has resulted in the more traditional community funds seeking to involve/include such funds *within* the overall operating structure of the larger, older charity. An example of this is the Destino 2000 Fund in Ventura County, organized under the auspices of the Ventura County Community Foundation. In other areas, such as in Los Angeles, funds such as the Brotherhood Crusade, the United Latino Fund, and the Asian Pacific Community Fund were all created independently of the local United Way and Community Foundation, and operate separately from them.

The development of these more focused, more narrowly defined "community funds" is likely to continue, given the growing diversity of our region. And they are likely to continue for the reasons Jean Lipman-Blumen noted in observing that our world is increasingly shaped by the opposing, but interrelated forces of *interdependence* and *diversity*.

As a result, the forces leading to the development of these institutions raise serious questions, challenges and opportunities for the future of *community* and *community institutions* in general – and especially for the more generic, geographically-focused ones.

7. The Power of Choice/No Place

"We're doing for Charitable Giving what the 401(k) did for Retirement."
Fidelity Investments Newspaper Advertisement

"The medium is the message"
Marshall McLuhan

The primary institutional focus of this paper has been on charitable intermediaries, and particularly on United Ways and Community Foundations – two preeminently American institutions through which generations of individuals and families have been manifesting their charitable impulses for a very long time. And there's no likelihood that either will cease their important social and communal roles. This is likely to be true for United Ways, even with the seemingly constant revisiting of mission, operations and structure. It certainly is going to be true for community foundations, one of the fastest growing segments within the organized philanthropic community.

Further, much of this relates to two major facets that have marked the philanthropic landscape, and our society in general: i.e., as our environment gets more complex, people narrow their focus, allegiances and activities. At one time, grantmakers seeking to learn from others basically had only the Council on Foundations to turn to. Now, the list of opportunities for grantmakers to involve themselves in the philanthropic world is gaining cosmic proportions. For example, "Affinity Groups" associated with the Council of Foundations, created to help funders include: [26]

Affinity Group on Japanese Philanthropy
Asian American/Pacific Islanders in Philanthropy
Association of Black Foundation Executives
Association of Small Foundations
The Communications Network
Disability Funders' Network
Environmental Grantmakers Association
Forum on Religion, Philanthropy & Public Life
Funders' Committee for Citizen Participation
Funders Concerned About AIDS
Grantmaker Forum on Community & National Service
Grantmakers Concerned With Care at The End of Life
Grantmakers for Children, Youth & Families
Grantmakers Evaluation Network
Grantmakers for Education
Grantmakers for Effective Organizations
Grantmakers for Public Safety
Grantmakers in Aging
Grantmakers in Film & Electronic Media
Grantmakers in Health
Grantmakers in the Arts
Grantmakers Income Security Task Force
Grants Managers Network
Harm Reduction Funders' Network
Jewish Funders Network
Hispanics in Philanthropy
National Network of Grantmakers
National Office on Philanthropy & The Black Church
Native Americans in Philanthropy
Neighborhood Funders Group
Southern Africa Grantmakers
Technology Affinity Group
Women and Philanthropy
Women's Funding Network
Working Group on Lesbian and Gay Issues

And that list doesn't include other constituency groups such as the corporate, family and community foundation committees of the Council on Foundations, nor the newly announced "Community Foundations of America." That list also doesn't include the Regional Associations of Grantmakers, a group of regionally focused associations across the country that are growing rapidly in number, size and activities. [Note: These associations created The Forum of Regional Associations of Grantmakers to help strengthen and expand both their regional and national presence, and their individual and collective impact. The resulting relationships within, between and among these associations and with the Forum are reflective of the key trend noted throughout this paper: i.e., the simultaneous movement toward both interdependence and diversity.]

It is clearly obvious that there is an interest in more choices everywhere, even within organized philanthropy. Given that, there should be no surprise when individuals with charitable impulses have similar desires for narrower and/or more choices in where and how they manifest those impulses.

Power of No Place

What this has led to, not surprisingly in the "Internet Age," is the rapid coming of technology to charity. The list of ways in which one can make a donation through the Internet grows daily. These range from sending a card to a friend with a donation being made in h/her name, to the current giant in e-charity: the Fidelity Charitable Gift Fund.

The implications of this rapid growth in e-charity are only beginning to be seen, but they are becoming self-evident nonetheless. For one thing, place becomes less important, if any factor at all. A donor sitting in h/her house can now log onto their investment and charitable accounts at any time of the day or night, access their account information, make grant decisions…and expect that a check will soon be mailed to their designated charity quickly. Being able to do this accommodates a key concern of many people: to do whatever it is they want/need to do quickly and easily. Given that, it is no surprise that the Fidelity Charitable Gift Fund is now America's largest grantmaker, with grants expected to exceed $400 million this year.

In the case of Fidelity's grants, it is true that these grant decisions do not benefit from the wise counsel available at community foundations, or from the informed process of a United Way. At the same time, many grants going through those bodies to donor-specified charities are not undergoing a significantly different process. And based upon the incredible growth at Fidelity, the development of related funds at Schwab and other investment companies, the potential for expansion in the number of users and dollars granted through these for-profit investment vehicles is unknown, but significant.

At the same time, individuals seeking to find worthy charities to make contributions to without an investment fund to house somewhere can also do so from their homes – and again quickly and easily. Whether through Helping.org, or Charitableway.com, or through numerous other Internet services, the fact of the matter is that for many people, the needed intermediary is no longer a local charity with skilled people to discuss charitable choices with, but rather an electronic intermediary based "somewhere else."

To paraphrase McLuhan, “the medium is the message, and the medium is a ‘dot’.”

8. Some Operational and Research Issues

"If neighbor no longer interacts with neighbor, bonds are increasingly being formed with kindred, if distant spirits…In some ways, the more distant, the closer; the closer, the more distant."

Paul Ylvisaker [27]

"Today, 222 years after the signing of the Declaration of Independence, the spirit of a new revolution is emerging. Interdepence. Ironically, it is not the interference of a foreign government that is impinging our inalienable rights today. Rather, it is a lack of sufficient interdependence among institutions, associations, and citizens that poses the current threat."

Lewis G. Rudolph [28]

So where are we?

In terms of our external environment, we are in a rapidly changing region, in a rapidly changing time. Our peoples are changing, our definitions of ourselves and the communities to which we belong are changing – and the ways in which we gather information, organize our lives, and connect with others is changing as well.

Clearly, what we have here is a society in transition. We are no longer what we were, nor what we will be. We are, at least for the near future and perhaps longer, part of a sector in transition within a transforming world…a *border society*.

Some Operational Issues

Such a society will require a number of things for individuals and organizations to be successful, including dealing with some of the following matters:

- *Organizational agility* – a willingness and capacity to overcome "institutional gravity," that power which brings most agency boards and staffs to focus on institutional-maintenance strategies for a world that may no longer exist;

- *New visions and strategies* – new strategies for organizing and delivering resources need to be considered, and some which may need to transcend the nonprofit organization as the appropriate vehicle for delivering those services;

- *Resource Expansion* – more work needs to be done helping funders develop a broader understanding of the resources they have which can be brought to bear on community needs (e.g., in investment uses);

- *Collaboration* – a number of people interviewed for this paper talked about the complexity of the issues facing their organizations and communities, and the need to find collaborative processes and efforts to address them;

- *"Border Artists"* – we need to find and hire people skilled at working at the margins between traditional institutions, their roles and the way they define problems – people who can help to build the relationships and workgroups (ad hoc or otherwise) which will be needed in a more fluid work world;

- *"Branding"* – in the best sense of the word (i.e., in not trading valid missions for more effective sales strategies), determining organizational core competencies and finding effective ways to communicate the added value that the organization's work produces for clients and communities;

- *Effective Communications* – organizations need to be able to communicate more effectively about their roles and the impact of their activities, and to include communications strategies as an integral part of overall institutional practices;

- *Technology* – clearly grantmakers (and others) are going to need to be aggressive in exploring uses for new technologies in carrying out their work (again, involving relationship building and doing work);

- *Transformative Actions* – organizations will need to be more visionary (not just well-managed) and open to new ways of thinking, new ways of working, and new ways of interacting with constituents -- and in a manner that has the potential of transforming the nature of their organizations, if not their missions;

- *Embracing Diversity* – philanthropic and nonprofit institutions, and particularly intermediaries, need to work diligently to develop, engage and reflect the broad diversity of their communities;

- *Mission Management & Maintenance* – there will be a need to keep one's "eyes on the prize" in seeking new ways to more effectively address one's mission, or consciously change it where appropriate, while not inadvertently trading missions for sales; and

- *Organizational Skill Sets* – attention will need to be paid to the "fit" between the staff and structure of organizations who are undergoing significant changes in their missions or operational focus.

<u>Some Research Issues</u>

Based upon this paper's scan, there are a number of related research issues that come to mind, including:

- *Impact of Technology* -- There is a need to pay close attention to the way in which the use of new technologies impacts the sector, including impact on organizational missions and operations.

- *Infrastructure Analysis* – There is a need to carefully assess the structures being used to organize and direct philanthropic resources and practitioners, and to consider new, more flexible ways of bringing needed resources to bear.

- *For-profit ←→ Nonprofit Distinctions* – There's an increased need to examine the traditional distinctions between sectors at both the theoretical and operational levels, and explore the possibility of developing new ways to describe and categorize activities and organizations seeking to benefit the public.

- *New Relationships* – Related to the last point, more research (and related practice) needs to be directed toward exploring new ways for funders to work with others (including thoughtful assessment of "venture philanthropy").

- *Sector/Organizational Impact* – Continued efforts need to be made to establish measures of organizational effectiveness that can be effectively communicated to the general public and others, and in ways that account for the achievement of social capital.

- *Community Participation* – Efforts should be made to examine the degree to which new, emerging and diverse communities within a region are being engaged in broad community-building efforts, and in the development of Third Sector services and policies.

9. Conclusion

"…As nonprofits adopt the structures and strategies of their for-profit counterparts, both policymakers and the public may question whether nonprofits will be pulled away from serving charitable purposes and fulfilling civic goals. Indeed, serving the twin master of mission and market can be difficult – if not impossible." [29]

"Why shouldn't the Internet have as much impact on how we think about philanthropy as it has had on how we think about commerce?"

Catherine Muther [30]

"I see a whole generation freefalling toward a borderless future, incredible mixtures beyond science fiction: cholo-punks, pachuco krishnas, Irish concheros, butoh rappers, cyber-Aztecs, Gringofarians, Hopi rockers, y demás…

Guillermo Gomez-Peña [31]

The world is changing around us at a pace and manner difficult to comprehend. We are becoming more alike and different at the same time. We grow closer together and further apart. We create more communities to belong to, but work harder to affirm their differences than to break down borders.

Given all of this, what are some of the overarching implications for the philanthropic sector?

First is the obvious need for individual organizations and the sector as a whole to be far more capable at describing what it does. More importantly, the sector needs to be able to define the *value added* that derives from its activities, including its social and "connecting" value. But this is not simply a job calling for better public relations efforts. Instead, we need to commit and/or recommit ourselves to some serious intellectual wrestling with the impacts of changing organizational visions, structures and processes.

Organized philanthropy is a field made up of wonderfully committed individuals, working hard to benefit their communities and organizations in need. But, in a number of fundamental ways, the operational styles and underlying assumptions have changed little over time. In a world that is changing as quickly as is ours, that needs to change. We need to seek more creative ways to assess where we are and where we could go (as opposed to where we're necessarily heading) – and then we need to find ways to apply those creative visions.

In this rapidly changing world, we also need to be more open and inclusive with whom we at least explore shared concerns and interests. New forms of philanthropy are being created almost hourly, many of them electronically/Internet based, and some of them operated by for-profit firms. These people need to be at larger, collective tables for conversations committed to exploring the need to increase both the size and effectiveness of organized philanthropy.

For community intermediaries such as United Ways and Community Foundations, change may become more of a constant than is obvious even at this point. At a time where people have the means to gather the information they need and connect with whom they want to via a modem and computer screen, intermediaries are going to have to work even harder to show value for their services. And organizational structures, resources and processes may need to undergo significant revamping, if not missions. Further, more intense and expansive exploration of the very nature of the nonprofit sector needs to occur. We need to explore whether the language and concepts, which have helped us to differentiate ourselves from others, make sense any more?

Ultimately, we are faced with a set of issues dealing with the basic concept of *community* itself. How are we going to find ways to identify and support our commonalities while our seeming natural tendencies, buoyed by our technologies, help us drift further apart? How are we going to deal with the social impact of the technological "haves" and "have-nots"? And what risk are we at of a *"Hollywoodization"* – with technology helping us to live locally while thinking and acting more globally, perhaps losing our local community bonds in the process?

The issue is not whether people are connecting to others, but *how* and with *whom*? In this new world of ours, power can no longer be easily related to control of information and information flow. Each person with a computer and a modem is now h/her own information center, able to connect to countless other people, organizations and information sources (regardless of the quality of that information).

Let me now end with two final quotes from two different interviewees:

"We are already seeing the development of 'virtual advised funds' – where the donor is getting all of their needed information on-line, reviewing their account information on-line, making their charitable decisions on-line, and knowing that a check will be mailed shortly…and never having spoken to anyone throughout the process."

"If [community intermediaries] don't change, they will end up like travel agencies in a world of direct on-line reservations."

Footnotes

[In most cases, quotes are not ascribed to a particular person in order to keep the focus on the issues; see Bibliographies for expanded source details.]

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