

Transformational Philanthropy: A New Way Forward for Community Philanthropy?¹

Laurie E. Paarlberg
Lilly Family School of Philanthropy
Indiana University Purdue University Indianapolis
lpaarlbe@indiana.edu

Megan LePere Schloop lepere-schloop.1@osu.edu
John Glenn College of Public Affairs
The Ohio State University

Jin Ai
Lilly Family School of Philanthropy
Indiana University Purdue University Indianapolis

Yue Ming
Lilly Family School of Philanthropy
Indiana University Purdue University Indianapolis

Theme: Philanthropic strategies for social change

Abstract

Over the last two decades, a variety of philanthropic thought leaders cautioned that inescapable local and global pressures were leading community philanthropy to something new. Demographic shifts, economic restructuring, the rise of online giving platforms, and growing competition from commercial funds and other nonprofits, were all threatening traditional models of community philanthropy. To respond to these pressures, United Way and community foundation thought leaders, were positing that the way forward was “something new.” In this paper, we posit a model based in concepts of “new power” that describe these shifts as a move from “transactional philanthropy” to “transformational philanthropy.” Drawing upon the mission statements of the population of United Ways and community foundations that electronically file their 990 reports with the IRS, we examine the trends in roles described in their mission statements. Generally, we find that a large majority of organizations continue to express transactional roles of fund raising and grant making to meet community needs, there are subtle differences between UW and CF roles. However, both institutions express roles that have remained fairly stable since 2010.

¹ This research is funded by a research grant from the Charles Stewart Mott Foundation.

Introduction

Over the last two decades, a variety of philanthropic thought leaders cautioned that inescapable local and global pressures were leading community philanthropy to something new (Bernholz, Fulton, & Kasper, 2005; Carson, 2014). Demographic shifts, economic restructuring, the rise of online giving platforms, and growing competition from commercial funds and other nonprofits, were all threatening traditional models of community philanthropy. The broader field of philanthropy has also come under increasing attack and a series of academic and popular works (including but not limited to *Winners Take All*, *The Givers*, and *Decolonizing Wealth* to name just three) have all questioned the legitimacy of philanthropy in a democracy, elite philanthropy in the face of rising income inequality and growing diversity, and the efficacy of pro-market responses to social issues.

Can institutional philanthropy respond to these pressures? On one hand, philanthropy has long promoted foundations as a source of social innovation and we have read about broad changes within community philanthropy for the past two decades. For example, the United Way (UW) has spent the last two decades trying to shift local affiliates to a new model—Community Impact. Community Impact emphasizes grant making in response to clearly defined community priorities and some local United Ways are setting lofty, ambitious goals to address local needs, such as leading local efforts to end poverty. In parallel, the community foundation (CF) field has adopted the language of community leadership, moving away from transactional measures of asset development to new transformational models that emphasize collaboration and resident engagement. However, while it is not likely that community philanthropic organizations will disappear, there are important questions about whether community institutions can adapt to “profound and undeniable community” change in ways that promote the good of their local communities (Mazany, 2014, p ix).

Although these change efforts are often supported by a range of philanthropic support organizations and consultants, system change is difficult (Paarlberg & Ghosh Moulick, 2017). Institutional philanthropy has historically represented the interests of elite donors who may seek to protect the status quo and community philanthropic organizations are inherently dependent upon these donors to raise resources. Furthermore, tensions may arise between the practice of community leadership and resident engagement and the transactional nature of asset development and the transformational nature of relationship building. While change may be necessary, historical success in fund raising and sitting on accumulated assets, may not necessarily encourage transformation (Oliphant, 2014).

In this paper, we draw upon the insights of many philanthropy thought leaders and Heimans and Timms (2014) model of “new power” to describe a contemporary framework for community philanthropy. We believe that this framework is consistent with both the UWs move to Community Impact and the community foundation field’s description of Community Leadership.

Drawing upon Heimans and Timms (2014), we propose that traditional models of community philanthropy are transactional. This model occurs in closed systems that are driven by community elites and focus on the transactional practices of philanthropy—the raising of resources through annual campaigns and endowment building—and the effective and efficient distribution of those resources, often to a closed set of community partners. New models of community philanthropy are open, participatory and driven by collaboration and seek transformation in the generation and deployment of resources and community structures.

Using text analysis of mission statements from 990 reports of the full population of American community foundations and United Ways (that filed 990 reports electronically between 2010 and 2015), we analyze the use of “transactional” and “transformational” language in mission statements and how organizations’ descriptions of their missions have changed over the last five years. In doing so, our paper seeks to extend our understanding of philanthropic strategies for social change in the midst of on-going global changes.

Community Philanthropy in Practice

Throughout American history, community philanthropy was “informal and integrated into daily life” as individuals responded to the needs of family and neighbors, often inspired by native and immigrant cultures of giving and self-help (Bernholz, Fulton, & Kasper, 2005). Native American and new immigrants brought cultures of giving and self-help that provided mutual support for geographic and cultural communities. As the unique American model of welfare capitalism developed, informal systems of help became more formal. In addition to the rise of general purpose private foundations, local innovations for supporting social services gave rise to two important American institutions, giving federations or “community chests” (precursors to the United Way and other federated fund-raising organizations) and community foundations. Community chests developed to raise financial support for community services through a single, broad-based fundraising campaign (Barman, 2015). Community Chests and later United Ways allocated the funds collected during annual campaigns to local charities based on the priorities of their member agencies (Paarlberg & Meinhold, 2012). In contrast, the Community Foundation model, which began in Cleveland, was established to create a permanent charitable endowment that could be used to fund community services in perpetuity (The Cleveland Foundation, 2019). As an alternative model to the private foundations being established by the industrial elite, community foundations were viewed as a way for middle and upper class individuals to leave a “charitable legacy” (<http://www.clevelandfoundation100.org/foundation-of-change/invention/goffs-vision/>).

Although there is no legal definitions of community philanthropy or even community foundations, both United Ways and community foundations are public charities that raise resources from a place on behalf of the residents of that place. As public charities they must meet the public support test that they derive 1/3 of their new funds in a given four-year period from government sources or representative number of donors. Any one donor must represent less than

ten percent of new funds, differentiating these organizations from private foundations that are reliant upon gifts from single individuals, families or corporations.

In addition to meeting the public support tests, these two types of organizations, share other characteristics as well. Both organizational forms arose specifically as secular organizations in contrast to other late 19th century / early 20th century organizations in which philanthropic endowments often supported specific organizations that were affiliated with religious sects. In fact, the first American united fund-raising campaign (the beginnings of the UW movement) occurred in 1887 in Denver through the interdenominational efforts of two ministers, a priest, a rabbi. Both organizational forms were grounded in a belief in greater professional control of social services, seeking more efficient and effective models of fund raising and grant making for community needs, and the democratization of philanthropy (Zunz, 2012).

As a result of these similarities, UWs and CFs have often played similar roles in their communities, while developing different strategies to go about achieving their roles. Brilliant and Young (2004) described four roles of community philanthropic organizations 1). Efficient and effective solicitors and distributors of community resources 2). Providing oversight and stewardship for the use of community philanthropic resources 3). Setting community service priorities and making judgements about how to effectively address those priorities. 4). Mediating between donors and community needs by providing information to donors about community needs and “philanthropic investment opportunities”. While focusing on federated organizations, the Brilliant and Young (2004) descriptions also overlap with many of the roles ascribed to community foundations, such as resource development, responding to community needs, vehicle for donor preferences and community catalyst, and mobilizing the community to respond to local issues (Hammack, 1989; Magat, 1989; Ylvisaker, 1989).

While, there are many commonalities in the roles and activities between community foundations and United Ways, there are some differences in the traditional models of revenue generation. UWs largely operated through annual giving campaigns, historically dominating workplace giving. Community foundations emphasized building endowments to respond to long-term unforeseen needs of the community. Both institutions, regardless of differences in the roles that they may play in specific communities, face similar environmental forces that are challenging their roles and revenue generation models. These changes include changes in their local demographics to more global technological, political and economic restructuring.

Contextual Trends

Throughout the 20th century, UWs and community foundations were the dominant philanthropic actors in many local communities. Until recently, the UW was the single largest private charity in the US (Lindsay, Olsen-Phillips, & Stiffman, 2016) and in many communities, community foundations and UWs are the single largest source of funding for human service. Community foundations and UWs were largely born out of the increased demand for social services as a result of urbanization and immigration that resulted from the Industrial Revolution. These

organizations reflected the dominant belief in the desirability of a private/corporate response to social needs instead of a government system of welfare. Community foundations were supported by business and professional elite and the UWs were sustained by a historical coalition of industrial leaders and labor unions (Brilliant, 1990). As a result, early models of community philanthropy flourished in the largely industrial cities of the Midwest and east coast.

However, for the past two decades, many philanthropic thought-leaders have challenged the sustainability of the “old models” and suggested that community philanthropy is at tipping point (Richard, 2014), confronting significant threats to their future growth and legitimacy in local communities. Since the late 1980’s, community philanthropy organizations have faced inescapable social, economic and political pressures that are challenging their viability and potentially leading community philanthropy to something new. Several key publications have highlighted these developments and they are summarized in Table 1. While there is a great similarity in the descriptions of the forces impacting community philanthropy, there are also some notable differences over time. While the 1989 description of community philanthropy emphasized the erosion of place, the twenty first century descriptions emphasize changing economic structure and commercial competition. In addition, ongoing innovations in technology and donors’ increased willingness to donate online through social media and web-based platforms have broken down many of the barriers to giving and empowered individual donors. As one example of how online giving is challenging the United Way, a popular piece in the *Harvard Business Review* recently notes, “Instead of donating via a big institution like United Way that parcels out money on donors’ behalf, people can support a specific family in a specific place affected by a specific problem”(Heimans & Timms, 2014). Furthermore, the growth of commercial donor advised funds has been an attractive and low-cost philanthropic vehicle for many givers—particularly high net worth givers that may have once created a fund within their donor advised fund. By 2016, Fidelity Charitable Trust passed the United Way system as the single largest recipient of charitable dollars in the US. As Figure 1 and Figure 2 suggests, in these changing contexts, the UWs have experienced stagnant revenue growth over the last two decades (all other indicators of financial growth mirror trends in revenue). The UW average 0% growth rate since 1989 is in contrast to the 11% average growth rate experienced by the community foundation system.

Table 1 about here

Figure 1 about here

Figure 2 about here

What is “this something new”?

These ongoing, inescapable pressures lead some thought leaders to suggest that community philanthropy is at a tipping point in which community organizations must re-shape themselves to remain viable (Richard 2014). Carson (2014) goes as far as to suggest that

community foundations are “confronting the most significant external threats to their continued growth and future existence that they have ever faced” (p 43). Similar concerns have been raised about the United Way system (Holly, 2018). Despite their historical legacy, can community philanthropic organizations remain relevant in this new world of community philanthropy? What is the “something new” that community philanthropy must move towards if it is to remain relevant and legitimate in the coming decades?

While community philanthropic leaders have focused their attention on the challenges facing organized philanthropy, these challenges and pressures mirror the issues facing all organizations. Heimans and Timms (2014) describe a shift in power from “old power” to “new power” that is and will be defining society in the coming years. They define old power as what organizations control—the assets that they hold and the knowledge that they have. In the past, for community philanthropy this meant control of financial resources—monopiles over workplace giving that enabled successful annual giving campaigns for the United Way and building endowments for community foundations. These “old models” are transactional, based on the raising and distribution of money through professional fundraising and stewardship practices focused on retaining an elite group of corporate and individual donors. For the United Way system, this also meant a closed system of grant making based upon loyalty to legacy member-agencies.

New power is transformational, driven by a sense of human agency and enabled by waves of technological change. In all sectors of the economy and governance, people increasingly can and do expect to participate in shaping many aspects of their lives through their own actions and through collaboration with peers and organizations (Heimans and Timms 2014). This mirrors the principals of co-creation in consumer industries and design (Prahalad & Ramaswamy, 2004; Sanders & Stappers, 2008) technology where consumers are described as “informed, connected, empowered and active...” (Prahalad and Ramaswamy 2004 p. 6) and actively engaged in co-creating products and experiences that were once designed and produced by firms. In government service, citizens are increasingly involved in creating policy, through tools such as participatory budgeting, and implementing programs, through the use of social media to report challenges and even act as emergency early warning systems (Verschuere, Brandsen, & Pestoff, 2012). Customers and citizens who were once external to the firm/agency and engaged through a purchase transaction are now part of creating goods and services.

The same principles apply to philanthropy in the twenty first century. Contemporary donors are not just interested in directing and advising their contributions. Rather, they want to take an active role in identifying priorities and implementing solutions. For community philanthropy, this means empowering all residents to make a difference in their community through multiple forms of philanthropy and civic action. Rather than simply “funding” organizations, new philanthropy is about facilitating engagement and co-creating solutions. It also means that community philanthropic organizations develop a “movement mindset” that involves partnering with actors from all sectors of the community to change conditions. Philanthropy moves from a transaction with the philanthropic organization acting as an

intermediary to a transformation with the philanthropic organization acting as a mobilizer, a catalyst and an “empowering agent.”

Describing a similar shift from “old community philanthropy” to new, Bernholz, Fulton and Kaspar (2005) and other community philanthropy thought leaders (including the Community Leadership Framework advanced by CFLeads) suggest that the path forward includes:

- 1). Mobilizing the various dimensions of community capital to take action on community aspirations (including volunteerism, knowledge, advocacy). This increasingly involves “placemaking” (Noland & Newton, 2014) and facilitating discussions on what the community values, as well as co-creating opportunities for donor learning and engagement (Carson 2014). This differs from the transactional role in which the philanthropic organization raised resources from the community, built endowments (in the case of community foundations) and distributed the resources to local charities and individuals, a closed system of donations and grants.
- 2). Partnering and collaborating with leaders across all three sectors on action and policy solutions for local issues (Bernholz, et al 2005, Perry & Mazany, 2014). This often involves facilitating discourse and action in ways that acknowledge diversity and pluralism of thought and experience and that is inclusive of all residents and actors (Noland and Newton 2014; Perry and Mazany 2014). This stands in contrast to the historical problem-solving role that philanthropic organizations traditionally filled in which elite institutions defined the problem and the solution.
- 3). Through the engagement of donors and other community partners, in the new model, community philanthropic organizations seek to change the conditions of community focusing on long-term problem solutions that change opportunity structures and policy. It may involve taking a leadership role on local efforts to influence policy (Ellwood, 2019). Traditional philanthropy sought to be a benefactor, providing help or general benefit to the community and its residents through financial gifts.

Comparing transactional and transformational orientations of community philanthropy and their associated roles, we propose the following model (Table 2):

Table 3 about here

Research Questions for a Changing Field

These conceptual paradigm shifts lead to three key questions: 1). How do community philanthropy organizations describe their roles? Are these descriptions consistent with transactional orientations focused largely on raising and distributing capital or transformational orientations of community philanthropy? 2). Given the similar environmental pressures facing both institutions, do UWs and CFs describe orientations that are different or similar? Do we find them converging or diverging in their response to these pressures? 3). Are transformational roles associated with various organizational characteristics?

Methods

Data

We first identified the population of United Ways and community foundations using a variety of sources. United Ways were identified through 1). A key word search on the National Center for Charitable Statistics BMF core files available from 1989 to the present and 2). A search of the United Way WorldWide directory of local affiliates. Similarly, to identify community foundations, we 1). Conducted a search of the Foundation Center Database and 2). Referenced a list compiled by (Community Foundation Research and Training Institute). In total, we identified 1335 United Ways and 970 community foundations that had been in operation since 1989.

Our data on mission statements were gathered from 990 reports for all United Ways and community foundations that electronically filed with the Internal Revenue Service between 2010 and 2016. Based on our original lists, we identified 938 United Ways and 814 community foundations, a total of 1752 distinct organizations, that filed an electronic 990 form at least once during the period of study and are included in our dataset. [This represents 70.26% of the population of United Ways and 83.92% of community foundations.](#) Over the period of study, the number of organizations that filed electronically increased with 958 organizations filing in 2010 and 1607 organizations filing in 2015.

In total, we gathered 8991 organizational mission statements; a single organization could have up to six mission statement observations from 2010 to 2016. Of these mission statements, 46.56% were community foundations and 53.44% were United Ways. Our data also include various organizational characteristics available on the 990 reports that allow us to compare the characteristics of efilers to paper filers. Using the fips codes of each organization we included the USDA code to classify the mailing address of each organization as either urban/rural location. Urban are all counties located in metropolitan areas; while rural are all counties not located in a metropolitan region. We find that efilers report greater amounts assets, contributions, and total revenues than those using paper files. In addition, organizations located in urban areas are slightly more likely to be efilers. However, it is important to note that not all paper filers are small and several of the very largest organizations do not file electronically, even in later years.

Table 4 about here

Table 5 about here

Coding Mission Statements

On Part III of the 990 report, all organizations are asked to describe their mission. Some organizations reported their mission statement in a separate attachment and when available this was used. Two percent of organizations failed to report a mission statement or reported one that was so vague that it could not be coded. For example, it might be blank or described as “United Way” or “charitable trust.” No effort was made to collect these mission statements from other online sources. Our final analysis is based on 8802 usable mission statements.

Consistently with our previously described model of transactional and transformational philanthropy, we coded the collected mission statements as to whether or not they described the following purposes. Table 6 summarizes those themes. It is important to note that most organization’s missions described multiple purposes. On average, organizations reported 2.4 themes per mission statement. One percent of organizations described seven roles. This stayed constant over time.

Table 6 about here.

Results

Prevalence of Roles Across Type and Year

Our analysis, displayed in Table 7, suggests that the most dominant role described in mission statements was community benefactor, followed closely by grant maker and fund raiser. There were slight differences between types of organization and across time. For example, UWs were slightly less like to communicate a fund raiser and grant maker role and somewhat more likely to report being a convener, problem solver and resource mobilizer. CFs were slightly more likely to describe roles as resource stewards and fiscal intermediary. The tendency for UWs to be slightly more likely to describe transformational roles may be the result of the UW system move to Community Impact in 2000 (Paarlberg & Meinhold 2012).

Table 7 about here.

However, while it is somewhat tempting to suggest that UWs are less likely to describe transactional missions, 30% of all UWs describe their mission only in terms of fundraising, grant making, and fiscal stewardship, compared to 20% of CFs. (See Table 8). However, more than half of CFs (52%), described their mission only in terms of fund raising, grant making, fiscal stewardship to benefit the community, compared to 40% of UWs. It is also important to note that

most organizations expressed both transactional and transformational roles. These orientations have existed side by side throughout the study period and the tendency to communicate both has increased over time. In 2010, only 40% of organizations described at least one transformational role and at least one transactional role. By 2015, 49% of the organizations that described a transactional role, also described a transformational role. This is consistent with Ellwood's (2019) reminder that community foundations can be both donor centric and community centric.

Table 8 about here.

The Relationship Between Roles and Organizational Characteristics

Organizational roles may be driven by organizational financial characteristics. An organizational role and shifts in a role may be related to an organization's financial and human resources. Table 9 reports the differences between reported roles across several organizational characteristics. relationship in 2010 and 2015. For clarity, we report only statistically significant differences. We find that UWs that describe fund raiser and grant making roles report smaller total revenues, assets and number of employees than UWs that do not describe a fund raiser or grant making role. These differences are statistically significant. In contrast, there is no statistically significant difference on these measures of size between CFs in the likelihood of reporting a fund raiser, grant maker or resource steward orientation. In contrast when we look at roles that contribute to a transformational orientation, we find that UWs that describe resource mobilizer, community benefactor, social change agent, problem solver or convener are more likely to be larger in terms of revenue, assets and employees. Similarly, CFs that report mobilizer, problem solver and convener roles are also more likely to be larger, although there are some differences between years. It is also important to note that there are no differences between those organizations reporting fiscal intermediary roles and those that do not.

Table 9 about here.

Change within individual organizations

While there appear to be modest shifts in the mission roles and orientations of the field of organizations, this may be due to differences in our samples due to the increased adoption of e-filing over time. To test this, we then compare the roles of those organizations that filed electronically in both 2010 and 2015. Our analysis suggests that there has been modest change in the themes represented in the mission statements of individual organizations. We identified the percent of organizations that added or dropped a particular purpose between 2010 and 2015. We found that both UWs and CFs are more likely to have dropped a description of grant making roles (10% and 8%, respectively). This seems to provide some support for the shifts identified in the broader fields. **Table 10 summarizes these shifts.**

Table 10 about here

Exploratory Analysis of Transactional and Transformational Orientations

Up until this point, we had examined the existence of individual roles within our posited transactional and transformational orientations. To explore whether or not these proposed orientations adequately describe the orientations of UWs and CFs we conducted exploratory factor analysis for the mission roles in the subset of UWs and then repeated for the subset of community foundations. Several important findings emerge from this exploratory analysis. Most notably, we find different factor loadings for each system—suggesting different orientations for the two systems. Principal component factor analysis identified three unique factors for CFs, what we describe as community catalyst, charitable trust, and benefactor. In contrast, the mission orientation of UWs can be explained by two factors—federated fund raiser and responsible leader. While UWs may be described adequately by transactional and transformational orientations, perhaps reflecting the nature of change in a federated system, the CF field is less clearly oriented along these two dimensions. What seems most striking by this exploratory analysis is how resource steward loads in the two systems. For the UWs, resource stewardship is associated with community leadership activities—problem solving and convening, possibly suggesting the important roles that UWs have played in providing neutral leadership and oversight on community issues. In contrast, fiscal stewardship is more highly correlated with the individual activities of fund raising and grant making. This seems to mirror the historical perception of the community foundations as “...the mechanical side of individual philanthropy...a mechanism of conversation and distribution of charitable funds” (Hammack 1999, p. 30).

The results are displayed in Table 11.

Table 11 about here.

Discussion

Despite the calls for the move to “something new”, our preliminary analysis suggests that most organizations report their mission orientation in terms of transactional models—with fund raising, grant making and fiscal oversight dominating the mission statements of most organizations. While the UW is slightly more likely to report transformational roles, this is most likely because of shifts prior to 2010. In general, both UWs and CFs are fairly stable. What does this mean for the field?

Shifts to transformational models of philanthropy are modest, although particularly in the CF system, change may be in progress. It is also important to note that any move to transformational leadership will involve balancing the language associated with transactional and transformational philanthropy. Organizations will continue to balance multiple roles and orientations. While it is easy to assume that the first to assume transformational roles will be the largest organizations, with the greatest capacity, this is not necessarily the case. While those retaining traditional transactional roles are clearly smaller, the effect of size on the adoption of transformational

language is less clear. Ultimately, although most CFs and UWs are facing major changes in their fund-raising environment, we see little indication of widespread adaptation in either UWs or CFs. This is particularly concerning for UWs, given the steady decline in funding to UWs.

Our preliminary results paint a picture of great stability within the field of community philanthropy, additional research is needed. Our preliminary study has many limitations. First, our analysis contains only the 990 reports for efilers. Our initial comparison of efilers versus paper filers suggests that efilers are generally larger than paper filers. In addition, only 859 organizations efiled in both years. Gaining access to the paper filers for each year will allow us to explore changes within the population of organizations and more effectively compare change in the population from 2010 to 2015. Second, our study examines mission statements reported on 990 reports. It is possible that these mission statements do not accurately reflect the current mission statement of the organization and may instead be driven by whomever completes the 990 report—it may be that an accounting firm simply reports the same mission each year. Additional research must be done to check how closely mission statements on 990 reports match mission statements on other organizational documents. It is also possible that although organizational values and strategies change over time, that mission statements do not change, particularly as they are institutionalized in bylaws and other formal documents. This will require examination of organizational documents and conversations with organizational leaders. In addition, this exploratory study has only looked at the adoption of language. Less clear is whether practice follows language? Or does language catch up to practice? Additional analysis must be done to connect the use of language to the behavior of organizations—for example the process by which they allocate their resources and allocation outcomes. Mission statements may serve as symbolic window dressing for various stakeholder. On one hand, for organizations taking a leadership role on many important local issues, a mission that communicates a transactional orientation may appease traditional donors who are seeking a “safe spot” for their philanthropic legacy.

Finally, while we have considered how organizational characteristics affect the use of language, organizations operate in complex environment. UWs and CFs have long existed side by side in many communities. In fact, as Hammack (1989) notes, “...there are many historical examples of mutual financial and mission support between UWs and CFs with CFs supporting local UWs annual campaigns and vice-versa.” While there is great similarity in how UW and CF field leaders are describing the necessary shifts within the field, we observe slightly different orientations toward their community philanthropy. As both systems move towards “different futures”, interesting theoretical questions remain about diverging and converging systems in the face of similar landscape changes. From a management perspective, these trends raise important questions about how UWs and CFs articulate their missions in order to distinguish themselves and develop collaborative relationships that benefit local communities. Additional understanding is needed to explore how the philanthropic landscape—including relationships with other fund-raising organizations—affect an organization’s philanthropic orientation.

Given that our preliminary findings suggest that there is only modest change occurring within community philanthropy, despite loud calls for change in these historical institutions, the

question can be asked, “why study community philanthropy as practiced by these legacy institutions?” Why should we not let these inert organizations simply fade away? These are several reasons. First, public policy increasingly relies upon local, philanthropic action to plan and implement a variety of key policy issues—from early childhood education to obesity prevention to economic development. Modern governance relies upon vibrant community philanthropy. Second, in the midst of loud questions about the legitimacy of private philanthropy, community philanthropy remains a viable democratic alternative—engaging donors across class and race to set local priorities and address local issues.

References

- Barman, E. (2015). Of Principle and Principal: Value Plurality in the Market of Impact Investing. *Valuation Studies*, 3(1), 9–44. <https://doi.org/10.3384/VS.2001-5592.15319>
- Bernholz, L., Fulton, K., & Kasper, G. (2005). *On the brink of new promise: The future of US community foundations*. Blueprint Research & Design.
- Brilliant, E., & Young, D. R. (2004). The Changing Identity of Federated Community Service Organizations. *Administration in Social Work*, 28(3–4), 23–46. https://doi.org/10.1300/J147v28n03_02
- Brilliant, Eleanor L. (1990). *The united way: Dilemmas of organized charity*. New York: Columbia University Press.
- Carson, E. D. (2014). The Future of Community Foundations. In *Here for Good: Community Foundations and the Challenges of the 21st Century* (pp. 43–58). Routledge.
- The Cleveland Foundation. (2019). Retrieved February 23, 2019, from <https://www.clevelandfoundation100.org/foundation-of-change/invention/introduction/>
- Ellwood, D. (2019). A New Era for Community Foundations. Retrieved February 23, 2019, from <http://www.cfleads.org/resources/missive-2019-01.php>

- Erdody, L. (2018, August 31). United Way revamping approach to funding. Retrieved December 27, 2018, from <https://www.ibj.com/articles/70300-united-way-revamping-approach-to-funding?v=preview>
- Hammack, D. C. (1989). Community Foundations: The Delicate Question of Purpose. In *An Agile Servant* (pp. 23–50). The Foundation Center.
- Heimans, J., & Timms, H. (2014). Understanding “new power.” *Harvard Business Review*, 92(12), 48–56.
- Holly, D. (2018, April 4). If United Ways Have to Change, So Must Many Nonprofits. Retrieved February 21, 2019, from <https://nonprofitquarterly.org/2018/04/04/united-ways-change-must-many-nonprofits/>
- Lindsay, D., Olsen-Phillips, P., & Stiffman, E. (2016, October 27). Fidelity Charitable Knocks United Way Out of Top Place in Charity Rankings. Retrieved February 23, 2019, from <https://www.philanthropy.com/article/Fidelity-Charitable-Knocks/238167/>
- Magat, R. (1989). Agility, leadership, Myth, and Reality: An Introduction. In *An Agile Servant* (pp. 1–20). The Foundation Center.
- Mazany, T., & Perry, D. C. (2014). *Here for Good: Community Foundations and the Challenges of the 21st Century: Community Foundations and the Challenges of the 21st Century* (1st ed.). Routledge. <https://doi.org/10.4324/9781315703749>
- Noland, M., & Newton, E. (2014). The Digital Age Foundation. In *Here for Good: Community Foundations and the Challenges of the 21st Century: Community Foundations and the Challenges of the 21st Century* (pp. 68–84). Routledge.

- Oliphant, G. (2014). Designing for What's Next. In *Here for Good: Community Foundations and the Challenges of the 21st Century: Community Foundations and the Challenges of the 21st Century* (pp. 59–67). Routledge.
- Paarlberg, L. E., & Ghosh Moulick, A. (2017). Captured by Partners: Interorganizational Relationships and Fund Allocation Stability in United Way Systems. *International Public Management Journal*, 20(3), 356–380. <https://doi.org/10.1080/10967494.2016.1237398>
- Paarlberg, L. E., & Meinhold, S. S. (2012). Using Institutional Theory to Explore Local Variations in United Way's Community Impact Model. *Nonprofit and Voluntary Sector Quarterly*, 41(5), 826–849. <https://doi.org/10.1177/0899764011418123>
- Perry, D. C., & Mazany, T. (2014). The second century: Community foundations as foundations of community. In *Here for good: Community foundations and the challenges of the 21st century* (pp. 3–26). Routledge.
- Prahalad, C. K., & Ramaswamy, V. (2004). Co-creation experiences: The next practice in value creation. *Journal of Interactive Marketing*, 18(3), 5–14. <https://doi.org/10.1002/dir.20015>
- Richard, R. B. (2014). A Mandate to Innovate. In *Here for Good: Community Foundations and the Challenges of the 21st Century* (pp. 29–42). Routledge.
- Sanders, E. B. ., & Stappers, P. J. (2008). Co-creation and the new landscapes of design. *Co-Design*, 4(1), 5–18.
- Verschuere, B., Brandsen, T., & Pestoff, V. (2012). Co-production: The state of the art in research and the future agenda. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 23(4), 1083–1101.
- Ylvisaker, P. N. (1989). Community and Community Foundations in the Next Century. In *An Agile Servant* (pp. 51–62). The Foundation Center.

Zunz, O. (2012). *Philanthropy in America: A History* (Princeton. NJ,: Princeton University.

Table 1: Trends in Local and Global Context Affecting Community Philanthropy

Community and Community Foundations in the Next Century (Ylvisaker, 1989)	On the Brink of New Promise (Bernholz, Fulton, & Kasper, 2005)	Here for Good (Perry and Mazany, 2014)
Changing nature of “community” : fluid definitions of neighborhood that extend to region, nation, world; problems that cross jurisdictions; ability to fundraise outside of “narrow boundaries”; expansion into rural regions;		Changing notions of place-based identity: Traditional notion of place is at odds with increased mobility, issues that cross borders, global internet connections, global mindset
Fragmentation: isolation caused by erosion of elemental societal institutions (family, church and neighborhood); stratification by income; greater tendency to self-segregate; tendency to interact with those whom we share an interest despite distance (identity vs. place)		

<p>Demographic changes: 1). diversity: civil and women’s rights movement in the US; 2). global migration</p>	<p>Demographic changes: older, more diverse, increasing mobility; rural/urban shifts; new population centers; growing technological sophistication and competence of donors</p>	<p>Demographic changes due to immigration, market trends in real estate: urban gentrification and growth in suburban poverty; aging population</p>
	<p>Economic restructuring: deindustrialization in the US, delocalization of ownership, shift from private pensions to self-funded retirement, aging workforce (increasing ratio of unemployed (including retirees) to working, income disparities (inequality), end of life-time employment contract</p>	<p>Market restructuring: space of production, technology of production and the global place of production</p>
	<p>Competition from innovative commercial sector for philanthropic leadership: technology companies provide software that manages grant making, investments and administration lower the costs of these transactions (now a baseline standard) and up expectations, replace Urban Institute and Foundation Center as source of information, puts information at the hands of donors, commercial funds hold and advise; rise of wealth management financial advisors</p>	<p>Competition from new anchor institutions for community empowerment: Rise of anchor institutions (such as universities & hospitals) that are serving as sites of empowerment and development</p>
	<p>New competition for donations: UWs, health care conversion funds, giving circles, remittance giving, alternative placed based giving (political, issue),</p>	<p>Donor preferences: Donor focus on spending now to achieve results in this lifetime versus creating permanent legacies (Buffet/Gates/Zuckerberg</p>

	<p>federated giving (religion), identity giving (women’s funds, race)</p>	<p>model) (Carson 2014); Local knowledge advantage is eroded as internet searches, guidestar, charity navigator, online social networks provide information (Carson 2014); easier than ever to give and give quickly through online cell phones etc; Donors want to co-create— want to create the agenda, donate more than \$ and be part of implementation (Carson 2014)</p> <p>Information is democratized and experts no longer have hold on “knowledge” or expertise</p>
	<p>Public governance: New expectations for public problem solving: changing governance including shifting from federal to local, privatization (govt \$ to private delivery), and load shedding (from govt to private responsibility), <i>pro-market mindset of problem solving</i></p>	<p>Public governance Government sector is shifting: decentering from federal to local and governance (partnering for public service delivery), inability to achieve political consensus (Richard, 2014), national debt crisis raise questions about ability to fund and plan basic social services and infrastructure; cfs are being asked to solve municipal problems that were once the sole province of govt (Richard, 2014)</p>
	<p>Changing expectations for regulation and accountability: increased public awareness of philanthropy (fueled by disasters) and regulatory oversight; self-regulation</p>	

Figure 1: Total Revenue (in 2015 \$)

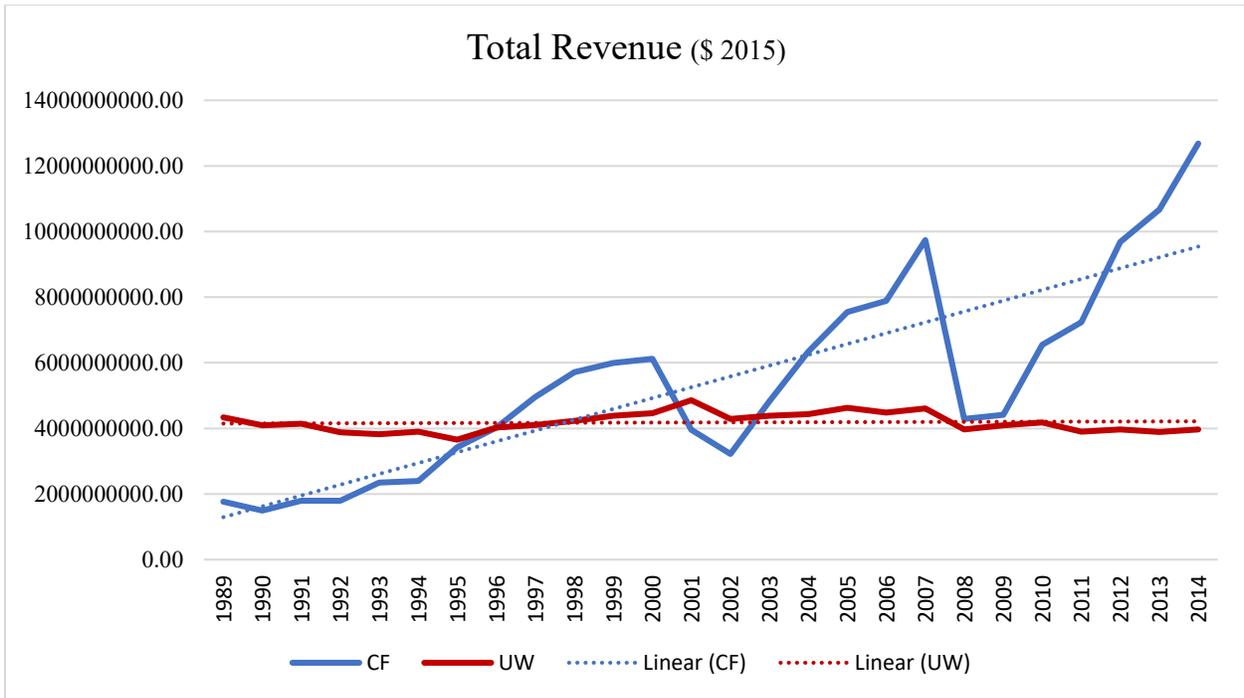
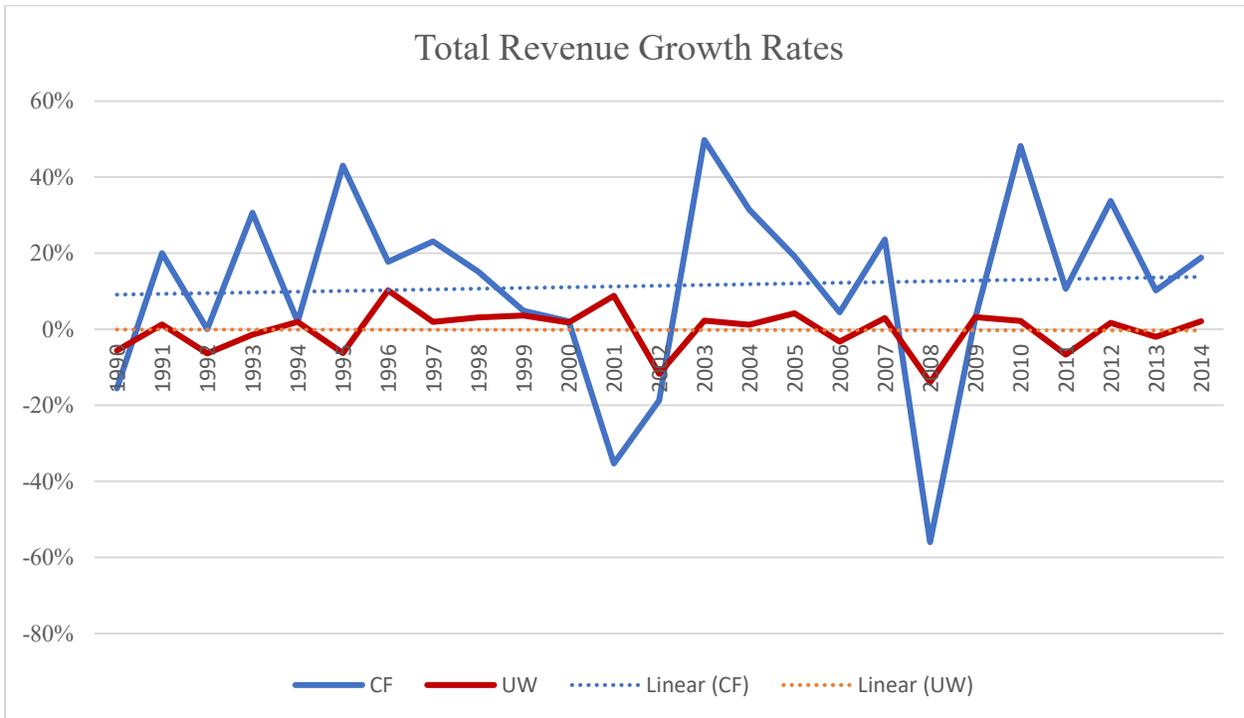


Figure 2: Growth Rates in Total Revenue



Data Sources: National Center for Charitable Statistics Core Files (1989-2015)

Table 3 : Proposed Orientations of Community Philanthropy

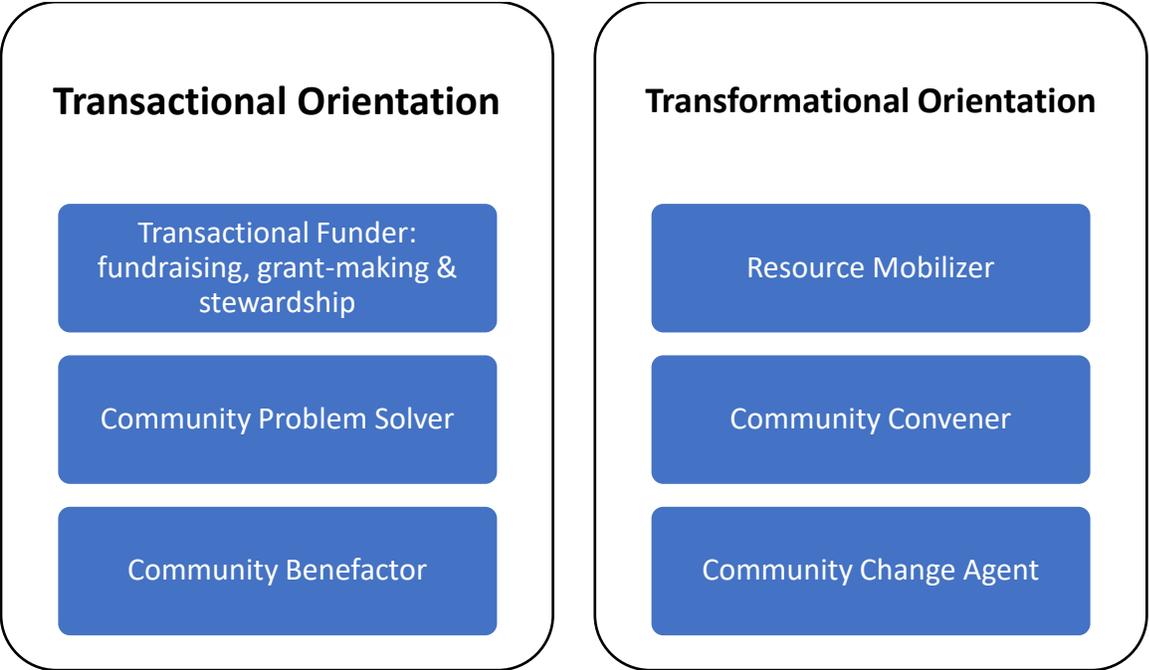


Table 4: Comparing the Financial Characteristics of Efilers and Paper Filers

(Billion Dollars)

	Assets		Contributions		Total Revenue	
	Efiler	Paper Filer	Efiler	Paper Filer	Efiler	Paper Filer
2010	30.66	19.22	5.22	2.89	6.28	3.58
	-	-	-	-	-	-
2011	30.66	19.22	5.22	2.89	6.28	3.58
	(9.94%)	(-8.95%)	(16.91%)	(-11.80%)	(16.91%)	(-9.87%)
2012	30.66	19.22	5.22	2.89	6.28	3.58
	(21.14%)	(-4.46%)	(35.12%)	(-2.29%)	(37.51%)	(-3.18%)
2013	30.66	19.22	5.22	2.89	6.28	3.58
	(9.84%)	(-2.19%)	(-1.34%)	(-11.69%)	(1.45%)	(-5.22%)
2014	30.66	19.22	5.22	2.89	6.28	3.58
	(-6.25%)	(-11.26%)	(-17.83%)	(14.65%)	(-14.82%)	(10.46%)

Table 5: Rural versus Urban Location of Efilers

	rural	urban
2010	0.53	0.53
2011	0.64	0.65
2012	0.70	0.73
2013	0.75	0.79
2014	0.79	0.81

Table 6: Description of Organizational Purpose

Purpose	Description	Examples
Fundraiser	The organization seeks to grow its own financial resources through long term growth of assets (either unrestricted or donor advised funds) or successful annual campaigns.	THE FOUNDATION WORKS WITH INDIVIDUAL DONORS AND ORGANIZATIONS TO BUILD ENDOWMENTS AND CHARITABLE ACCOUNTS THAT ENABLE PEOPLE IN ADAMS COUNTY TO FULFILL THEIR PHILANTHROPIC GOALS.
Grant maker	The organization is a grant maker, distributing/investing financial resources in organizations within and outside of the community. In this role, the organization may serve as a pass through for dollars designated by donors, distribute dollars based upon an agreement with community partners, or use non-traditional decision-making processes to allocate grants.	1). TO PROVIDE SUPPORT TO HARRISON COUNTY NON-PROFIT AGENCIES THROUGH GRANTS TO ADDRESS THE NEEDS OF THE COMMUNITY. TO PROVIDE SCHOLARSHIP SUPPORT TO HARRISON COUNTY GRADUATING SENIORS. 2). IT ALLOCATES AND DISTRIBUTES MONIES RAISED TO ITS MEMBER AGENCIES.
Responsible Steward	The organization holds itself and/or grantee organizations accountable for the responsible use of community resources. The organization aligns its own actions with internal and community values and ensures that resources (grants and/or endowments) are invested in fiscally and socially responsible ways. The organization seeks to make grants to effective organizations by screening and monitoring/evaluating grantee organizations.	1). PERFORM AS A ... PRUDENT MANAGER OF PHILANTHROPIC ASSETS CREATED BY CHARITABLE GIFTS AND BEQUESTS. 2). EFFICIENTLY ALLOCATE AND ORGANIZE DONATIONS TO LOCAL CHARITABLE ORGANIZATIONS.
Fiscal Intermediary	The organization serves as a link between the donor and organization and /or causes in the community. In this capacity, the organization may connect donors to organizations and issues and provide advice and support to donors to enable them to carry out their charitable goals.	1). THE SELINGSGROVE AREA COMMUNITY FOUNDATION ... EXISTS TO ASSIST AND ENCOURAGE DONORS OF ALL LEVELS TO ACHIEVE THEIR DIVERSE PHILANTHROPIC INTERESTS WHILE PROVIDING A LEGACY THAT WILL SERVE THE COMMUNITIES FOR PRESENT AND FUTURE GENERATIONS.

Resource mobilizer	The organization energizes and mobilizes social, political, technological and intellectual capital (expertise) in ways that benefit the organization and/or the larger community. In this role, the organization may build and strengthen the capacity of the local nonprofit sector; foster a general culture or spirit of caring and/or philanthropy within the community; and/or provide/facilitate opportunities for engagement and relationships between donors and grantee organizations/clients.	2). TO INSPIRE AND ENCOURAGE PHILANTHROPY 3). THE MISSION OF THE ORGANIZATION IS TO IMPROVE LIVES IN JACKSON COUNTY BY MOBILIZING THE COMMUNITY TO MAKE LASTING CHANGES IN COMMUNITY CONDITIONS.
Community benefactor	The organization's goal is to serve the common good, making its community a better place to live by addressing local needs and improving the local quality of life.	THE FINDLAY-HANCOCK COUNTY COMMUNITY FOUNDATION WILL IMPROVE THE QUALITY OF LIFE IN HANCOCK COUNTY
Social change agent	The organization focuses on changing systems and structures that underly critical community issues and/or develops/supports innovative solutions designed to produce significant, lasting results.	1). North Star Fund is New York's leading community foundation working to create a more just & equitable city.
Community problem solver	The organization takes a leadership role in identifying and prioritizing community needs/problems/issues. In this role, the organization uses its own expert judgement (including the use of needs assessments) to prioritize needs. NOTE: Mere mention of community needs/problems/issues without prioritization is insufficient for this code.	1). THE CLEVELAND FOUNDATION'S MISSION IS TO ... PROVIDE LEADERSHIP ON KEY COMMUNITY ISSUES.
Community convener	The organization is a trusted and neutral bridge that convenes and partners with other organizations/agencies/corporations that are involved with or affected by a local issue. In this role, the organization brings actors together in physical and virtual space, incentivizes participation in voluntary networks, and facilitates information sharing and coordinated action by and connecting strategies that are components of success.	1) SUPPORTING COMMUNITIES THROUGH ENDOWED FUNDS AND COMMUNITY LEADERSHIP BY HELPING TO IDENTIFY COMMUNITY NEEDS, FACILITATING PARTNERSHIPS AND COLLABORATION

Table 7: Described Roles (from mission statements recorded on 990 reports)

Community Foundations									
	Fundraiser	Grantmaker	Resource Steward	Fiscal Intermediary	Resource Mobilizer	Community Benefactor	Social Change Agent	Community Problem Solver	Community Convenor
2010	37%	57%	25%	15%	30%	65%	3%	14%	6%
2011	37%	55%	23%	14%	32%	65%	4%	14%	6%
2012	37%	55%	22%	13%	31%	66%	4%	13%	7%
2013	35%	55%	21%	13%	33%	65%	4%	12%	7%
2014	37%	54%	21%	15%	36%	64%	4%	12%	7%
2015	35%	54%	20%	14%	34%	65%	4%	12%	7%
2016	36%	54%	20%	15%	36%	66%	4%	12%	6%
Total	36%	55%	22%	14%	33%	65%	4%	13%	7%

United Ways									
	Fundraiser	Grantmaker	Resource Steward	Fiscal Intermediary	Resource Mobilizer	Community Benefactor	Social Change Agent	Community Problem Solver	Community Convenor
2010	30%	53%	13%	1%	45%	55%	10%	22%	14%
2011	32%	54%	14%	1%	46%	56%	9%	22%	16%
2012	31%	52%	13%	2%	47%	56%	9%	22%	17%
2013	32%	53%	13%	2%	47%	54%	8%	21%	17%
2014	30%	51%	13%	1%	48%	56%	9%	20%	18%
2015	30%	50%	12%	1%	47%	57%	8%	19%	16%
2016	32%	54%	12%	1%	46%	55%	7%	18%	12%
Total	31%	52%	13%	1%	47%	56%	9%	21%	16%

Table 8: Transactional Orientations

	Community Foundations		United Ways	
	Fundraiser, grant maker & fiscal steward	Fundraiser, grant maker & fiscal steward & community benefactor	Fundraiser, grant maker & fiscal steward	Fundraiser, grant maker & fiscal steward & community benefactor
2010	22%	56%	32%	42%
2011	21%	54%	31%	41%
2012	21%	54%	30%	39%
2013	20%	52%	31%	41%
2014	18%	49%	29%	40%
2015	19%	50%	29%	41%
2016	21%	50%	34%	44%
Total	20%	52%	30%	41%

Table 9: Statistically Significant Differences in Size Between Mission Roles

		United Ways						Community Foundations					
		Total Revenues		Assets		# Employees		Total Revenues		Assets		# Employees	
		2010	2015	2010	2015	2010	2015	2010	2015	2010	2015	2010	2015
Fundraiser	NO	6.33	2.49	8.03	3.99	23.62	24.09						
	YES	3.05	0.74	3.27	1.30	9.18	6.44						
Grantmaker	NO	7.29	3.56	9.85	5.60	27.21	28.22						
	YES	3.62	0.71	3.71	1.28	12.13	8.99						
Resource Steward	NO	4.32		5.84		17.72							
	YES	11.90		11.41		32.27							
Fiscal Intermediary	NO												
	YES												
Resource Mobilizer	NO	3.23	1.41	4.82		13.36	13.75	6.28		46.71			
	YES	7.84	2.56	8.69		26.22	24.56	13.18		88.60			
Community Benefactor	NO	1.56	0.83	2.15	1.39	8.45	9.81						
	YES	8.39	2.88	10.19	4.65	27.41	25.16						
Social Change Agent	NO	4.59	1.68	5.79		18.29	17.89						9.04
	YES	12.08	5.32	13.77		31.15	32.99						17.42
Community Problem Solver	NO	4.18						7.32	10.21	47.59	54.77		8.77
	YES	9.31						14.91	35.02	131.82	200.49		13.89
Community Convener	NO	4.19		5.78		17.16				54.47			
	YES	12.11		11.37		33.65				137.86			

Note: All dollar values reported in \$M

Table 10: Shifts in Individual Organizational Mission Statements (2010-2015)

Community Foundations									
	Fundraiser	Grantmaker	Resource Steward	Fiscal Intermediary	Resource Mobilizer	Community Benefactor	Social Change Agent	Community Problem Solver	Community Convener
stable	90.42%	86.92%	88.32%	92.99%	86.68%	85.75%	97.43%	94.86%	94.39%
added	4.44%	4.91%	3.97%	3.74%	8.18%	7.24%	1.87%	2.10%	3.04%
dropped	5.14%	8.18%	7.71%	3.27%	5.14%	7.01%	0.70%	3.04%	2.57%
United Ways									
stable	90.91%	85.81%	92.68%	99.78%	87.80%	88.91%	91.80%	89.58%	92.68%
added	2.66%	3.99%	2.88%	0.22%	9.31%	7.76%	3.55%	3.99%	3.99%
dropped	6.43%	10.20%	4.43%	0.00%	2.88%	3.33%	4.66%	6.43%	3.33%

Note: this analysis includes those organizations that filed electronically in both shares.

Table 11: Factor Analysis of Mission Roles (2015)

	UWs		CF			
	Factor 1	Factor 2	Factor 1	Factor 2	Factor 3	Factor 4
Fundraiser	0.71	0.08	-0.03	0.62	0.15	0.06
Grantmaker	0.97	0.1	-0.04	0.79	-0.24	-0.11
Resource Steward	0.06	0.73	0.07	0.54	0.22	0.14
Fiscal Intermediary	0.05	0.37	0	-0.03	-0.06	0.88
Resource Mobilizer	-0.7	0.26	0.59	-0.25	0.17	-0.02
Community Benefactor	-0.82	0.09	0	-0.07	0.88	-0.05
Social Change Agent	-0.21	0.37	0.69	-0.08	-0.38	-0.01
Community Problem Solver	0.04	0.77	0.44	0.4	0.25	0.05
Community Convener	-0.09	0.67	0.73	0.11	0.09	0.15
SS Loadings	2.72	1.96	1.61	1.55	1.15	0.89
Proportion of Variance Explained	0.52	0.38	0.31	0.3	0.22	0.17
Preliminary Constructs	Federated Fundraiser	Responsible Leader	Community Catalyst	Charitable Trust	Benefactor	Donor Intermediary