

TEN STRATEGIES FOR TODAY'S COMMUNITY FOUNDATIONS

KERRI BRIGGS, TYLER HARDY

Community foundations have [a century-long history](#) and a special place in most big cities. In fact, more than [750 community foundations](#) exist in the U.S. They traditionally operate like nonprofit banks by helping deposit and distribute charitable resources in a city or region. To keep pace with an ever-changing landscape, many community foundations are currently rethinking their strategies and pivoting for success.

Right now, the largest change community foundations are facing is growing competition. For example, philanthropists now have a [number of options](#) for giving, such as direct giving to nonprofits and focused foundations—including ethnic groups, religious or affinity groups, corporations, etc. Additionally, some philanthropists give via somewhat-controversial [commercial donor-advised funds \(DAF\)](#), which have deep, efficient pockets and close proximity to a donor's other investments. Along with shifting community needs, politics, and generational demands, this competitive landscape has forced community foundations to reexamine their operations and think differently about philanthropy.

CICERO & COMMUNITY FOUNDATIONS

Cicero Social Impact teams have studied and collaborated with dozens of foundations to understand firsthand the challenges they face. We use a holistic, data-driven approach to understand each organization's community and market and to define the best strategies going forward.

Developing a foundation strategy follows a familiar multi-step process: defining the problem, analyzing data, creating solutions, and tracking progress. The process typically requires secondary research, interviews, surveys, data and

systems audits, board meetings, and many feedback cycles. Equipped with data, we collaborate with leaders to answer critical questions that are unique to foundations, including:

- How does the foundation balance two different “customers”—the donors and the community?
- What role does the foundation play in making an impact—investor, convener, issue expert, etc.?
- How does the foundation respond to a unique type of “competition,” such as in working with or against other foundations and nonprofit providers?
- How can the foundation be flexible in the fast-changing foundation and nonprofit landscapes?

10 STRATEGIES FOR COMMUNITY FOUNDATION SUCCESS

In answering the questions above, we have designed 10 key strategies to help community foundation leaders overcome mounting pressures to meet changing needs.

01 — DETERMINE YOUR ROLES BEYOND BANKING

It's easy for community foundations to focus on their necessary functions as transaction processors, grant makers, and occasional advisors and researchers. However, many other important roles are worth serious thought. These include being conveners, coordinators, advocates, capacity builders, thought leaders, philanthropic leaders, impact investors, and co-funders. A common challenge is that foundations claim to play these roles, but they aren't intentional about them and they don't prioritize them. Foundations that embrace other key roles see greater results in the community and for their donors.

02 — BALANCE THE TENSION BETWEEN GROWING ASSETS AND ACHIEVING COMMUNITY IMPACT

Should a community foundation be held primarily accountable for growing assets and serving donors? Or for making an impact in the community? It's tough to have one without the other, so both are critical. In reality, most community foundations focus on outdated financial metrics that show the flow of money in and out the door (assets, gifts, grants). Deliberately measuring community impact in correlation with that cash flow is critical to boosting donations because it shows real results and justifies support from those who want to improve the community.

03 — DEVELOP YOUR CAPACITY AND TALENT

The social sector is stereotypically strapped for cash and running on high-octane passion. However, attention to the sector is shifting as more organizations are making significant personnel investments. Likewise, community foundations also need to invest resources in upskilling talent organically or externally to keep up with the changing environment. Highly-relevant talent includes specializations in technology, data, and impact.

04 — BE HONEST ABOUT WHO YOU ARE AND WHERE YOU STAND FINANCIALLY

It's easy for the board to see asset growth and think the organization is doing well, but it's important to ask yourself if you truly know what is creating that growth and what's detracting from it. You should know which products are contributing to your success and which you are subsidizing to keep afloat. And, you should learn why: is it due to demand, costly processes, or inconsistent fees/fee enforcement? If you and your board don't know exactly which products are cash cows and which are dogs, then there is more work to do. Doing this work pays off in efficiency and transparency.

05 — FIND A CREDIBLE FOCUS

One hallmark of a community foundation is that it is a resource for the entire community. While you should be careful not to turn people away, intentionally focusing your desired impact on a few important issues is good for the organization and the community. You can't be everything to everybody. Find real community issues that are genuine to your organization, and then dedicate yourself to making a difference in those specific issues. This conversation can quickly get mired down in search of the perfect focus; we recommend you use both heart and data to inform your timely selection of a focus. Include the perspectives of community leaders, current and prospective donors, and your board in deciding where to focus.

06 — DRIVE IMPACT BEYOND THE DOLLARS DONATED

Though measuring distribution rate is better than measuring dollars granted—and this is better still than measuring assets under management—none of these is a real measure of change. Solid measurement efforts don't have to be all-inclusive, but they should at least account for your focus areas of impact. Report on those regularly to your donors and communities. Develop theories of change and a proper measurement and evaluation system to hold yourself accountable for true impact.

07 — PUMP UP COMMUNITY AWARENESS

In philanthropy, there is little value in being considered exclusive or "the best kept secret." Our research shows that community foundations generally seem invisible, elite, or inaccessible. Foundations that succeed find ways to expand their communication beyond who they think is their core customer and actually infiltrate the entire community with their positive message. If you're trying to create change, make an effort to be acknowledged in the community as a resource, thought leader, and impactful organization. Be heard.

08 — USE DATA TO DRIVE YOUR DEVELOPMENT

What makes the ideal donor? What is that ideal donor looking for? If you knew the answer to those two questions, how would you find your ideal donor? It's vital to be able to use donor data to understand donor activity and preferences. This requires investment to equip your teams with smart analytics and user-friendly tools. Coupled with detailed survey data, you can begin to segment

donors and make informed decisions on how to grow funds. You can also strategically engage donors for more and better giving.

09

CREATE A BOARD OF ADVOCATES

Getting people “on board” sounds cliché, but you’ve appointed your trustees for a reason. Far too many community foundations have merely passive, budget-approving boards. To manage change inside the organization and effectively reach people outside the organization, appoint or develop engaged and active board members who act as constant allies. They don’t have to be a giving board, but they should be valuable resources. Ask yourself how board members’ skills and time are being utilized, and whether the board is structured according to your impact goals.

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REMEMBER, SUCCESS IS ACHIEVABLE

You’ve got this! We’ve coordinated with many foundations that are succeeding—they are developing steadily and delivering real impact in the community. Although you may feel competition from commercial DAF providers, there is room for your foundation to flourish in your community. Seize opportunities for differentiation. Improve efficiencies and be intentional about how you will create change. If you do this well, you can unlock a virtuous cycle of impact and growth.

For more information about this work, please contact:

Kerri Briggs (kbriggs@cicerogroup.com)
Tyler Hardy (thardy@cicerogroup.com)