Leadership and the Lifecycles:
Reflections on Community Foundations in New Zealand and Australia

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For information about the authors, see Appendix B.

1. Introduction

Community foundations face different challenges at different points in their "life cycle," from start-up through to maturity. Yet, the choices made during the community foundation's start-up phase can have consequences for the organization's overall sustainability. Is creating a sustainable community foundation all about funds under management, or are there are other factors that are important? Are community focused or donor focused approaches better for community foundations in the long run? How important are leadership styles and activities to the organization's fiscal health, and does their importance vary within the life cycle?

From our contrasting personal perspectives as a community foundation CEO and a community foundation Board member, we aim to reflect on the experience at two community foundations (in Melbourne, Australia and Auckland, New Zealand) and draw conclusions regarding the distinctive challenges for governance, leadership, and management in the early years of community foundation development through the lifecycles. We focus on how each of the community foundations has positioned itself on a continuum from being donor focused as opposed to community focused, the success and challenges of these approaches, as well as how the timing of these choices in the life cycle affects the sustainability of the community foundation on the whole. The case studies also reveal the leadership challenges each organization faced at different stages of growth, and how leaders' skills and mindset affected the perspective community foundations.
It is our belief that effective, 'right sized' governance, leadership and management are very important to the establishment, growth, and sustainability for community foundations. Too frequently, we believe governance, management, and leadership are poorly understood and therefore poorly applied, leading to underperformance.

We have sought to be completely open in sharing experiences and observations that highlight things we did wrong, as well as those we did well. Our primary purpose is to suggest some learnings from our own experience that might make the road a little less rocky for others. 'Baring our souls' in this way has been a helpful experience for us and we hope it will be for you. We acknowledge that the focus of this paper is predominately on financial sustainability, which should not necessarily be conflated with success. Many community foundations operating in emerging democracies and countries where there is an underdeveloped civil society, and even in more developed economies such as Australia and New Zealand, can rightly claim to be operating successful community foundations.
In these cases, community foundations do not necessarily focus their main efforts on building a permanent endowment; rather, they raise funds on a year-by-year basis for immediate grant making. This is usually done with the support of external foundations, other funders and individual donations. Many of these foundations also undertake the project management of these community projects themselves. While the end purpose for both community focused and donor focused approaches is the same, the means for achieving the desired outcome varies.

After defining the core components of governance, leadership, leadership and sustainability, we will explore the theoretical underpinnings of community foundation's life cycles, and the debates among experts regarding the fiscal imperatives foundations face at different stages.

We then contrast three different approaches to expanding donors and managing operating costs: the controlled approach, the engaged approach, and the leveraged approach. Following this discussion, we examine the costs and benefits of these different approaches through detailed analysis of our two community foundations, looking at strategic decision points and their consequences. We argue that these experiences give us insights into the sequencing, leadership, and staging of management expertise new community foundations should pursue.

2. Defining governance, leadership and management

In order to identify the effect of governance, leadership and management on our community foundation experiences, we first need to understand what we mean by the terms. They are often referred to interchangeably, illustrating the lack of appreciation of their distinct roles and unique impact. Governance, leadership, and management are all associated with effective control and performance of organisations, but they each take a different perspective.

Governance concerns itself with the structure and the relationships which determine corporate direction and performance. The board of directors/trustees is typically central to governance. Its relationship to the other primary participants, typically shareholders/ stakeholders and management, is critical.

Whilst governance is concerned with overall strategy and monitoring management progress, leadership is focused on 'getting things done.'

The plethora of leadership definitions prompted Bernard Bass[1] to famously note "there are almost as many different definitions of leadership as there are persons who have attempted to define it." However, our favourite representation of leadership, from James MacGregor Burns[2], is less a definition than a role description:

> "The key distinctive role of leadership at the outset is that leaders take the initiative. They address their creative insights to potential followers, seize their attention, and spark further interaction. The first act is decisive, because it breaks up a static situation and establishes a relationship. It is, in every sense, a creative act."

That leaves management as the important third leg to the stool. Management is generally understood to be focused on effective implementation of vision and mission. Bennis and Nanus[3] put it adroitly when they argued that "managers do things right, while leaders do the right thing." For an effective organisation, we believe that you need to have all three.

[1] Bass, B. M. (1990).Concepts of Leadership, in B. M. Bass and R. M. Stodgill Handbook of Leadership: Theory, Research and Managerial Applications. New York: Free Press.
[2] Burns, J. M. (2003). Transforming Leadership: A New Pursuit of Leadership. (p172) New York: Atlantic Monthly Press.
[3] Bennis, W. G. and Nanus, B. (1985). Leaders: The Strategies for Taking Charge. New York: Harper and Row.

3. Community foundation sustainability

St. John[4] defines sustainability as "a combination of operational, programmatic, and financial characteristics that enables an organization to continue to accomplish its mission on an ongoing and stable basis."

While sustainability for community foundations can include organizational viability, program effectiveness, financial security and enduring impact, St. John has differentiated between self-financing, financial sustainability, and operational sustainability. As Humphreys explains, "Inevitably in looking at sustainability it is financial security and predictability that are uppermost as concerns for staff and boards."[5]

In financial terms, the challenge for community foundations is, firstly, to identify available sources of financing in order to meet the needs for start-up funding as well as for initial operating capital and, eventually, endowment. Second, as Dulany [6] recognized, they need to ensure that the leadership of the foundation has "links to these sources of financing and credibility with them."

4. Different approaches to success and sustainability

4.1. Lifecycle stages

In 1977, Struckhoff[7] identified that past a certain point (estimated as roughly 5 million U.S. dollars in assets) most community foundations grew well and many very rapidly. This 'take-off point' concept assumes that this asset level would provide sufficient fees for core staffing, secure lower investment fees and be able to "convince donors of its permanence." [8] This concept is still popular, although figures of 2030 million US dollars are more often proposed as the required take off point today.[9]

In order to get to the take-off point, Leonard contended that the three most important aspects for a community foundation were "driving force of personality," credibility with the wealthy, and the right territory.

[4] St. John, S. E. (2007). Built to Last: A Framework for Financial Sustainability Planning for Community Foundations, from http://www.synergos.org/knowledge/07/cfsustainability.pdf
[5] Humphreys, G. (2006). Report on Proceedings. Paper presented at the Peer learning event on sustainability of grant maker associations and support organisations, Istanbul, Turkey.
[6] Dulany, P. (1992). How Community Development Foundations Can Help Strengthen Civil Society from http://www.synergos.org/knowledge/92/communitydevelopmentfoundations.htm
[7] Struckhoff, E. G. (1977). The handbook for community foundations: Their formation, development, and operation. The Council on Foundations, New York.
[8] Leonard, J. (1989). Creating community capital: Birth and growth of community foundations. In Magat, R. (Ed.) An Agile Servant (pp. 100). The Foundation Center, USA.
[9] St. John, S. E. (2012). Asset development, donor engagement and the promotion of philanthropy. Presentation to the Senior International Fellows in Philanthropy Program, CUNY, NY.

Leonard also considered the potential models for growth that could be adopted by a new community foundation. She classified three key community foundation roles: grant making, donor services and community leadership.

In the start–up phase it would be unlikely that a community foundation could focus effectively on more than one, maturing foundations could focus on two, and fully developed foundations (past the take-off point) could focus on all three. Grant making and community leadership models tend to lead to slow growth, but donor services can bring rapid growth at the expense of highly restricted fund purpose.

Maturing community foundations that bring together donor service and grant making can be innovative granters and attract a wide range of donors, while rapid growth can compensate for restricted funds. This combination appears superior to grant making with community leadership (which often need grants to keep them going) and donor services and community leadership (where the drive for flexible donor service compromises the organization's desire for long-term unrestricted capital).

Another way of displaying this concept can be seen in Table 1 below, which was originally shared with the team at Melbourne Community Foundation by Dorothy Reynolds, a consultant for the Charles Stewart Mott Foundation.

Focus	Grant making	Donor Services	Community leader/social change agent
Type of fund sought	Prefers unrestricted and endowed	Advised: accommodates donor	Promotes unrestricted but accommodates donor
Feature	Restricts payout and successor advisers	Educates about grant making	Encourages endowment with broad purposes
Visibility	Community leaders/grantees	Professional advisers (intermediaries)	Intermediaries and community/public
Growth rate	Slow	Rapid	Moderate to rapid

Table 1: Interplay of Mission and Growth. Source: Dorothy Reynolds

4.2. Financial imperatives

Endowment size and grant making capacity are widely accepted to be critical aspects of a **sustainable** community foundation, particularly in the USA, where the movement started.

Many definitions of community foundations emphasize these financial aspects. Anheier[10] described community foundations as a subset of foundations that specifically "manage funds for donors and seek to build an endowment from a variety of sources in order to sustain their activities over the long-term." He felt this distinguished the community

[10]Anheier, H. K. (2001). Foundations in Europe: A comparative perspective. Centre for Civil Society, London School of Economics and Political Science, London (pp. 41-49).

foundation model from other types of foundations, which are usually created based on an endowment from a single source.

Endowment size and grant making capacity are critical for sustainability because:

- The development of a locally raised permanent endowment is what distinguishes a community foundation from other service providers and is what ultimately gives a community foundation its credibility.
- Over time, as the permanent funds under management grow, fees earned will also grow, thus providing a community foundation with predictable funds to support core and infrastructure costs.

A minimum endowment size is also important for independence. In the USA, it is agreed that the minimum funds required to enable a community foundation to reach sustainability and not be dependent on external funding for its infrastructure costs is around 25 million U.S. dollars in assets and at least a seven year lead time.[11] There is no reason to believe that the local equivalent doesn't apply around the world (including Australia and New Zealand).

4.3. More than endowment size

The need to develop a permanent endowment does not, however, negate the important role that 'in/out' flow-through and donor advised funds can play for a community foundation, particularly in terms of providing community visibility, community benefit and a perception of size.

More recently there has been a growing recognition that sustainability is not necessarily achieved through asset size alone. In 2007, The James Irvine Foundation, a large private US foundation, together with FSG Social Impact Advisors, undertook research primarily focused on emerging community foundations. The research found that sustainability was not built on asset size alone, but on defining desirable patterns of growth and asking rigorous and thoughtful questions about the implications of the choices being made. While community foundations need to grow assets in order to meet their costs and expand their capabilities and reach in the community, the James Irvine Foundation research debunked some of the traditionally held views about sustainability.

Firstly, it established the fact that large asset size does not eliminate operating deficits. Of over 200 community foundations surveyed as part of the research, it was found that foundations ranging in size from 5 million to up to 500 million U.S. dollars in funds under management all experienced at least one deficit in the previous five years. It was further found that over 50% of U.S. community foundations with assets between 100 to 200 million U.S. dollars had operating deficits in one or more of the previous five years. What they also found was that the size of deficit tended to grow with the size of the assets.

Second, it highlighted the fact that when it comes to sustainability, all assets are not equal and asset growth does not necessarily equal success.

[11] 'Regionally Based Services to Community Foundations 2002-3', Forum of Regional Associations of Grantmakers, p4.

It is well recognised that particularly in the early stages of development, community foundations tend to take on any number of small active funds even though it is clear that the operation of these will never cover their costs. This pattern of behaviour was certainly the case in both Melbourne and in Auckland. Taking on these funds is an absolutely valid way to build credibility, visibility and be seen to be doing something of value in the communities in which they operate, however, it is not sustainable. If fee structures don't support these funds, taking on more of them will inevitably further weaken overall economics rather than increase sustainability.

Both these findings indicate that community foundations must measure their sustainability in terms beyond mere dollars. The research suggests that there are four key economic elements that must be considered when looking at sustainability. These are:

- asset composition in terms of types of funds and size of funds;
- the cost vs. revenue for each of the fund types;
- diversity and stability of revenue sources; and
- the organization's cost structure.

As well as looking at sustainability in general terms, The James Irvine Foundation research previously discussed also undertook in-depth research on the growth patterns of 24 emerging community foundations across the United States. While acknowledging the unique nature of each community foundation, the research found that there were three prevailing approaches to growth that were common to all.

The Controlled Approach: 'We don't spend money we don't have'

This approach emphasises that community foundations working this way closely manage their expansion and their operating costs, and may involve limiting the scope of services and activities offered, combining backroom functions with other community foundations or outsourcing certain operations. As we know, it is very tempting in the early stages of development to say yes to all funds of all sizes, irrespective of their financial viability.

Under a controlled growth approach, community foundations have had to learn to say no, which may slow overall asset growth in the short term, but will avoid the longer term costs of managing a large number of non-viable small funds.

The Engaged Approach: 'Let's get everyone involved'

The engaged approach emphasises the importance of building relationships, expanding the foundation's reach, building profile and impact, as well as building a pool of friends/ambassadors, without necessarily using huge operational resources. It may include taking an activist approach that addresses local needs in a way that relies on volunteer community involvement and collaboration.

This approach is dependent on people with the skills to manage complex initiatives and community expectations. It must be acknowledged that the benefits must be weighed against the cost of activities which may not assist in building assets in the short term.

Leveraged Approach: ‘We expand our reach’

The leveraged approach emphasises broadening the community foundation’s reach through partnerships.

There are a number of possible ways this approach can be implemented. One option is to bring together a group of community foundations with a common issue to attract private foundation funding to support a particular issue common to all. This strategy may include seeking resources to run a publicity and marketing campaign to raise the profile of community foundations in a particular area or developing a common approach to build relationships with professional advisers.

5. Our experience of growth through the lifecycle stages

5.1. Australia

In order to summarise key observations in the growth and development of the two community foundations, we have used a consistent matrix as we believe this makes it easier to highlight key aspects, compare the two foundations, and provide a structure for recommendations.

Stage	Focus	Governance	Leadership	Management
Start-up 1997-2004	Donor Services (Fundraising)	* Founders were donors and chief fundraisers. * Founding trustees and other Board members had credibility and connections * Single-minded focus on building funds under management.		* Voluntarily undertaken by founders for the first 2-3 years of operation, then only very part time CEO appointment
Growth 2004-2008	Donor Services Community Leadership and Understanding	* Increasing focus on strategic planning and direction setting * Continued focus on fundraising * Strategic decision by Board to focus on building community knowledge and convening role	*Founders still the major face of the foundation, but CEO becomes more prominent as figurehead for organisation as first CEO appointed 2003 * Increasing attention from professional advisers requires strong systems/administration *Increasing realization that community knowledge gap needs filling – MacroMelbourne instigated	
Maturity 2008-	Donor Services Community Leadership and Understanding	* Board role needed to change from operational to more strategic *2011 MCF became AustCF	* Increased cross-sectoral collaboration * Sector leadership (CEO and Board)	* Strong administrative systems * New services, e.g. donor central

	Effective grant making	* Some concerns about stagnation of current Board who now see the staff as responsible for funds development * Board retirement of high profile members, yet to be replaced	* Increased product offerings – Gumnut Funds and investment options	* Operational effectiveness * Larger staff team, increased skill in marketing and communications

Table 2: Melbourne Community Foundation/Australian Communities Foundation progress

Start Up

The Melbourne Community Foundation (MCF) was founded in 1997 by Hayden Raysmith and Marion Webster as the first independent community foundation in Australia. Hayden came with extensive experience in the community sector and government and Marion with both a philanthropic and community sector background. As there were no locally established models in a start-up phase, the Foundation looked to draw on overseas experience to provide knowledge and expertise where it could. This came in great measure from the USA.

At that time, the measure of community foundation success was much less complex than it is now. It was based on:

- the size of the corpus;
- the foundation's ability to make effective grants to assist in building the communities in which it operated; and,
- the foundation's ability to establish trusting relationships with both its donors and the community it serves.

In its start-up phase, MCF followed the USA model in its drive to raise a substantial permanent endowment to assist, through its grant making, and in building stronger and more resilient communities in the city in which it operated. The accepted wisdom at the time was that every effort should be made to, as quickly as possible, build a corpus of 5 million U.S. dollars. Once that quantum was reached, the foundation would 'take off.'

The importance of the role of the Board cannot be underestimated in the early stages of the development of MCF, particularly as in our case there were no paid staff for the first year or so. The composition of the Board included high profile business leaders, several existing philanthropists and a couple of people with strong community sector backgrounds and knowledge. These Board members bought credibility and networks.

Soon after the Foundation began operating, Marion established one of the first, and at that time the largest, funds with a 100,000 AU dollars (75,000 U.S. dollars) donation. Several other Board members then followed with similarly sized donations.

In the early years of MCF's development, its initial growth can be almost entirely attributed to the willingness of the Board to open up their networks and actively work on behalf of the Foundation to build funds under management. The two founders in particular worked tirelessly with the Board to keep them engaged and enthused about the model and it's potential.

In the early years there was only a very part-time staff person, and for its first 4 years of operation MCF worked out of a private home, so the beginnings were indeed humble.

MCF was proudly donor-focused and engrossed in building funds under management. There was little emphasis on its positioning in the community or on its knowledge of, and connectedness to, the community in which it operated.

The founders, Marion and Hayden, were largely responsible for attracting the first 10 million to 15 million AU dollars (7-11 million U.S. dollars) in funds under management, so the importance of that commitment and drive in the early stages of development cannot be underestimated.

Growth

Having spent nine months as Interim CEO of the Community Foundation Network in the UK and then as an inaugural Senior International Fellow at with the Center on Philanthropy and Civil Society at the CUNY Graduate Center in 2003, Marion returned to MCF with fresh ideas and new thinking about different models for growth, community engagement, and development. During her time overseas in the UK and the U.S. while undertaking her senior fellowship at CUNY, Marion spent considerable time with Dorothy Reynolds, a senior Charles Stewart Mott Foundation consultant, and was greatly influenced by her wisdom and experience. Marion invited Dorothy to visit Melbourne and participate in MCF's strategic planning retreat in early 2004.

At that retreat, the leadership was given a rude awakening when Dorothy roundly chastised the Foundation for its singular focus on funds development. Following Dorothy's visit, the Board agreed on the need to move along the donor-focused/community-focused continuum towards a position that placed much more emphasis on serving the community while continuing to serve the donor.

At the same time as this was occurring, the Board implemented performance management for the then-CEO. She soon left the role and Marion took up the position of interim CEO to develop and implement a new strategy plan that incorporated the learnings from Dorothy's visit.

This shift led to the development of a major new initiative, MacroMelbourne, in 2004. MacroMelbourne was a strategic initiative that was designed to enable MCF to build a knowledge base for its donors and the broader philanthropic community about current needs, emerging trends, and the impact of government planning and policy on the city of Melbourne's growth and development.

Building this knowledge base put the Foundation in a better position to achieve its mission of 'addressing emerging social issues and meeting the needs of our communities.' It also assisted in establishing links and partnerships between the philanthropic and corporate sectors, with local government and community agencies active in providing services and building community engagement.

Finally, it was seen to enhance MCF's community leadership and convening role through facilitating public discussion and debate as well as identifying where the philanthropic sector and the burgeoning group of corporations looking at community engagement could make a contribution to building Melbourne's social capital.

MacroMelbourne was one of four policy areas identified by MCF's Board as the themes for strategic initiatives to be rolled out over several years. The other issues included disadvantaged young people, older people, and innovation on education, particularly at the primary level.

MacroMelbourne, together with the other initiatives, clearly established MCF as a significant philanthropic player and went a long way to better position the Foundation to get through the 'struggling to survive' stage.

At the same time as these initiatives were being implemented, MCF continued to focus on growing funds under management, but this time with some of the strategic funding initiatives in place and a growing reputation as an effective grant maker and community convenor.

It was in 2006 that Peter Hero, then CEO of the highly successful Silicon Valley Community Foundation in the U.S., came to an MCF Board retreat. Apart from sharing his expertise with the board and staff, he undertook a number of public forums and speaking engagements which significantly helped raise the profile of MCF in the community, particularly in the business community. Further, he encouraged us to work more strategically and systematically with the professional adviser community to build referrals.

Peter generously agreed to join the Board of MCF and remained actively involved with the Foundation's activities for a number of years, consistently reinforcing the importance of working with professional advisors and speaking to them when he visited. Professional advisors are now a significant source of donor referrals to the Foundation.

By 2006, MCF had 25 million AU dollars (19 million U.S. dollars) in funds under management and was distributing over one million AU dollars (750 thousand U.S. dollars) in funds each year to the community.

Looking back, it seems as though placing initial focus on raising endowment was the correct approach to the work in Melbourne. It certainly gave the Foundation a great start and some flexibility in setting future strategy.

Maturity

With over 25 million AU dollars (19 million U.S. dollars) in funds under management, and a range of significant strategic initiatives in place, the Foundation had not only embedded itself as a significant philanthropic player, but had also developed the confidence to take another step up, seeing itself as having reached a level of maturity. This gave the Foundation the confidence to move into new markets and diversify its offerings to donors. While reviewing all existing funds, the Foundation developed a sliding fee structure, built a professional advisor referral network, and developed a new product called the Gumnut Fund. This fund enabled small donors to establish a fund with as little as 2,000 AU dollars (1,500 U.S. dollars), provided a further 2,000 AU dollars was added each year until it reached 20,000 AU dollars (15,000 U.S. dollars). It was only at this stage that donors could start making distributions. In Auckland, this rationalisation of costs versus revenue has yet to take place.

In 2011, Marion retired as Chair, but agreed to remain on the Board for a further 12 months. At that time, MCF was the largest and most successful independent community foundation in Australia, so an increasing number of national corporations started approaching the Foundation to establish funds. There was, however, reluctance for many of them with head offices outside Melbourne to give through MCF, preferring an entity with a national focus.

With a new Chair in place, the Board, very much against Marion's wishes, was persuaded to change its name to Australian Communities Foundation (AustCF), which it did in 2011. This change of name was followed by a very acrimonious falling out between the Chair and a Board member. The Chair resigned precipitously, and Marion agreed to take on the Chair's role for a 12 month period. The name change was not at all well received by the community foundation sector, and in spite of efforts since then, is still viewed with some suspicion by some, particularly the small and more vulnerable regional and rural community foundations.

During this period, the Foundation also reviewed its data management systems, implemented a much more sophisticated Customer Relationship Management System (salesforce), and introduced 'Donor Central,' which enables donors to directly access information about the investment performance of their funds, the amount they currently have available for distribution, and other relevant information. It also involved staff being given a carefully selected portfolio of donors to manage more pro-actively.

At the end of 2012, Marion retired as Chair and from the Board, but has been recognised as an Ambassador and now undertakes consulting work for AustCF. In 2013, Hayden and Marion were recognised through a public nomination process to have made one of the top 50 philanthropic gifts in Australia for the democratisation of philanthropy.

By 2014 the Foundation had 50 million AU dollars (37 million U.S. dollars) in funds under management with over 200 donor funds and was distributing six million AU dollars (4.5 million U.S. dollars) per year. It now has an active group of donors who meet regularly around particular areas of interest and regularly work collaboratively to co-fund projects.

As a result of a one million AU dollars (750,000 U.S. dollars) bequest the Foundation established a 'Forward Fund' as a starting point for the establishment of a larger pool of unrestricted funds that will enable AustCF to once again identify and develop its own funding initiatives.

Since 2013, there have been a number of staffing and board changes, and in spite of continued growth in funds under management, AustCF seemed to lose some of its cutting edge leadership role in the philanthropic sector. With the appointment of a new CEO in late 2015, however, there is some new energy emerging and a number of new initiatives. It does seem that there is room for some renewal at the board level.

5.2. New Zealand

Stage	Focus	Governance	Leadership	Management
Start-up 2009 - 2011	Donor service and Fundraising Community Leadership and Understanding	* Low profile Board had good intentions but not good links to, or credibility with, high net worth Individuals. * Focus on planning and governance structures (5 sub-committees). * Board recommended development of MacroAuckland project. *Low level of personal financial contribution from founders.	* Inaugural ACF CEO took main leadership role (Board was not visible to potential major supporters) and management role (no other staff initially) * First year taken developing and launching new foundation * Low level of financing meant that all services, premises, projects etc. had to be negotiated pro-bono * CEO used previous contacts and professional advisers to identify potential donors * MacroAuckland project undertaken to build community credibility.	
Growth 2011 -	Donor Service and Fundraising Community leadership and understanding Effective Grant making	* Increasing focus on strategic planning and direction setting * Some Board dissent on direction	*CEO developed Mayoress' Fund for Youth * Raised funding for, and implemented, projects (MacroAuckland and Te Manu Ka Rewa) to build credibility and staffing to support admin. * New Chief Executive takes over. * Capital raised through trust transfer * Further infrastructure * Broad perspective continues.	
Maturity	Not yet in this stage			

Table 3: Auckland Communities Foundation progress

Start up

In 2009, Mark was recruited to be Chief Executive of a small pre-existing community foundation called the Manukau Community Foundation in the South of Auckland, with a remit to redevelop and relaunch it as an Auckland-wide community foundation.

Manukau Community Foundation had been in existence for six years at that stage. Originally conceived by the Mayor of Manukau Sir Barry Curtis, it had been creatively partly funded through revenue from street advertising on council land, but it had been largely unsuccessful in raising funds or making any real contribution to strengthening the community through grants. There were no staff members apart from the newly appointed chief executive and no resources to appoint any. There was 72,000 N.Z. dollars (52,000 U.S. dollars) of equity.

The Board was mainly constituted from local business people and Rotarians. Whilst enthusiastic and passionate about the cause, there was no one on the Board with either a large profile or powerful influence with, or access to, potential donors. In 2007, the Board invited Marion to strategically review the Foundation; subsequently, she had been asked to join the Board. Although Marion did not have any profile in New Zealand, her experience from the community foundation movement in Australia and the UK brought a new level of direction to the Board.

Perhaps due to the corporate/professional services background of the majority of the trustees, the Board had a very formal approach to governance. Although it had less than 100,000 N.Z. dollars (72,000 U.S. dollars) under management, the Board had five subcommittees, including ones for Finance, Risk, and Personnel. The chair produced a lengthy governance manual to guide trustee behaviour and activity. A great deal of time was spent on process. The majority of trustees were not donors in their own capacity.

On reflection, the Board in many ways acted as though it was running a much more substantial operation with a classic corporate board focus on strategy and compliance. This was in stark contrast to the experience at Melbourne Community Foundation where the Board had been active and credible fundraisers and cemented their credibility through their own personal contributions. Courtesy of Marion’s experience at Melbourne, the board strategy included the development of a major community research project in its second year similar to MacroMelbourne once the new community foundation was well underway.

As Chief Executive, Mark was initially required to attend regular Board meetings and up to five subcommittee meetings per month. At the same time, he was trying to develop a new name and brand for the Foundation, organise a launch, identify founding donors, build the corpus, and find the resources to build a core staff. This was Mark’s first Chief Executive role and whilst he had good fundraising and marketing experience, had been General Manager of a non-profit for four years, and was part way through an MBA, he did not have direct experience of leading an organization and working with a Board.

Mark diagnosed the organisation’s main rate-limiting factor as its lack of credibility and awareness among the general public. He set about trying to counteract that, while at the same time trying to follow the Board's broad direction. This credibility and awareness raising included developing 10 new funds (mostly very small) to be announced at the launch, gaining written endorsement from recognised leaders, recruiting former Auckland Mayor Dick Hubbard to the Board, developing a professional brand and core brochure ware, recruiting a high quality professional advisors committee, securing PR in national and management press for the foundation, and becoming an active member of the Philanthropy NZ community.

Through a fellow MBA student, a highly experienced business leader, Mark and Marion met with a trust that was prepared to make a major funding contribution to a research study of Auckland's social issues along the lines of MacroMelbourne. While this opportunity occurred earlier than originally planned, the decision was made to go ahead with the project (to be named MacroAuckland) and Mark recruited a small project team to undertake the work.

In retrospect, the wisdom of taking on this project at this stage might be questionable as it added more burden and a broader range of commitments to an already thinly spread resource, but the attraction of the funding, the ability to leverage the research for credibility/profile purposes, and the genuine desire to have better community understanding underpinning grant making meant that it was given the green light by management and the Board.

MacroAuckland was used as the basis for the Foundation launch in 2010 and a large and enthusiastic audience of over 300 witnessed the birth of Auckland Communities Foundation (AucklCF). The community foundation was out of the start-up phase and into the growth phase. In contrast to MCF, where the initial focus was almost exclusively on growing endowment, the fledgling AucklCF had tried to do fundraising alongside active community engagement and research. It proved to be a very broad front.

Growth

Courtesy of its broad approach to profile and community understanding, as AucklCF moved into the growth stage more diverse opportunities emerged. Mark developed the Mayoress' Fund for Youth which was funded by the Mayoress' Ball, a 300 people fundraiser led by the city's Mayor and Mayoress. The foundation hosted a "Philanthropy for Youth conference" attended by the Auckland Mayor and very senior national philanthropic figures. The first giving circle was started. A community development contract for 250,000 N.Z. dollars (180,000 U.S. dollars) was secured from Department of Internal Affairs to fund community development work in a deprived area of South Auckland allowing appointment of a grant making professional to join the team. Philanthropic management and consulting contracts were secured for Auckland Airport Community Trust, Tindall Foundation (Auckland Area Funding Manager), and SKYCITY Trusts in Auckland, Hamilton, and Queenstown. New funding opportunities were explored broadly with international expat organisations. An Auckland issues speaker series was run.

AucklCF was suddenly a 'player' in the local philanthropic scene and increasingly a voice for community development but the funds were not following the fame - it had only been successful in gaining two funds from very wealthy donors who were making reasonable level contributions and both of those fund holders were committed to current use funding rather than building the endowment – great for profile but not for financial sustainability.

After one year at Manukau Community Foundation and three years at Auckland Communities Foundation, Mark left the organisation to take over the alumni and fundraising team at the University of Auckland. AucklCF had 20 donor funds, 700,000 N.Z. dollars (500,000 U.S. dollars) in equity, was raising 650,000 N.Z. dollars (470,000 U.S. dollars) per annum in donations, and was the grant maker for around 900,000 N.Z. dollars (650,000 U.S. dollars) per annum.

Mark's successor was an experienced non-profit chief executive but not an experienced fundraiser. Her main strengths were in strategy, relationship management, and external relations. Her approach, initially at least, was to continue most of the programmes already in place, roughly dividing her attention equally to the three main areas of donor service, effective grant making, and community leadership. This strategy led to broadly similar results as Mark, in that the community foundation was increasingly "successful" but still not "sustainable." She also continued to strengthen infrastructure.

Similarly to Mark, the new Chief Executive felt that the Board was not optimally configured to achieve success, but unlike Mark who just went ahead independently, she decided that the Board had to be sorted first. Initially this included a drive with key Board members to refresh the Board leadership and to appoint some new highly connected and wealthy Board members. This took a lot longer than was expected, was highly divisive and led to a highly unproductive period of over a year of manoeuvring and squabbling at Board level. The final result was a new Chair, but not the wholesale introduction of powerful, wealthy and connected trustees that had been envisioned.

New funds were hard to find but AucklCF continued to take on exciting projects and partnerships (including becoming the New Zealand host of The Funding Network). Before Mark had left he had appointed the Foundation's first funds development manager (on a part time basis) and the new Chief Executive encouraged this staff member to lead the growth of donor funds and pipeline. It was decided to disband the Professional Advisors Sub-Committee as it had not yet brought new donors to the Foundation. In retrospect, we feel this move may have been a premature as engaging the professional advisors community is globally one of the most effective ways of gaining major bequests and other donations.

Although new donor funds were not forthcoming through this strategy, the new Chief Executive and her new Chair did achieve two coups which built the endowment. Firstly, they arranged the settling of a private trust into the Foundation. Second, they negotiated a complex off balance sheet move for another charity that shifted capital to AucklCf for strategic reasons.

To balance the budget and build profile, the new Chief Executive continued the previous programme of managing grant making for other funders and taking on philanthropic consulting work. Providing these services may have been beneficial in the early stages of the community foundation's growth as it enabled AucklCF to showcase its grant making expertise, to demonstrate that it was granting often quite significant funds, as well as raising the profile of the Foundation in the community. It was therefore not a distraction from core priorities, helped raise the profile of the organisation in the community, and added a further product to the Foundation's suite of product offerings.

However, there were challenges. As the work was undertaken on a contract basis it could not be taken for granted that it would go on indefinitely. It is also questionable whether the Foundation imposed the strict financial discipline that would ensure that the financial benefits of providing the grant making services were covered by the cost of the contract. The consulting work was undertaken by staff not directly involved in building funds under management

In June 2016 after three years at the foundation, Mark's successor resigned to take up a new role in another part of New Zealand. The Foundation had 3.1 million N.Z. dollars (2.3 million U.S. dollars) under management, was more recognised but still was a fair way from climbing out of growth and into maturity.

6. Critical Observations

6.1. Right focus?

During Marion's time overseas in 2003 as both CEO of the Community Foundation Network in the UK and as an inaugural Senior International Fellow at CUNY Graduate Center, it became much clearer to her that while there may be many common objectives, community foundations often described their focus and the approach they took to achieve sustainability in different ways. The same is true today.

This was especially apparent in the USA where, between a donor-focused approach taken by some community foundations and a community-focused one taken by others, there was any number of variations.

For example, in 2003, at one end of what is really a continuum, Peter Hero, then President of the community foundation, Silicon Valley Foundation, believed that while community building was the goal, the customer was the donor. 'We serve the community *only* if we serve the donor well,'[12] he said.

Bob Edgar, Director, Donor Resources, New York Community Trust (NYCT), took a middle approach, believing that the NYCT serves both the community of New York City and its donors equally[13], while Emmet Carson, then President and CEO of the Minneapolis Foundation believed there currently was a crisis in the community foundation movement (brought on by the emergence and huge asset growth of the commercial gift funds) and that

[12] 'Community Foundation Silicon Valley: Evolving infrastructure to meet strategic needs', Stanford Graduate School of Business, Case # PM-49, version (A) 02/27/03, p5.
[13] Bob Edgar, conversation with Marion Webster, 4 Nov 2003.

this crisis was forcing traditional community foundations to re-evaluate their purpose and function. He stated:

> "At the heart of the crisis lies a choice between two different approaches - one that focuses on catering to the donors' needs, the other that focuses on the community need …The mission of the community-focused community foundation is to build unrestricted assets, and the customer is the community as a whole rather than individual donors."[14]

Whichever way a community foundation chooses to describe and position itself in this debate, there is general agreement within the movement (both in the USA and elsewhere) on the following issues.

- To ultimately be sustainable, the goal of a community foundation must be to build a significant pool of 'unrestricted funds which pour grant dollars into the community, stimulate great ideas, excite the donors and serve the community'[15].
- A community foundation is the vehicle *through which people give*, rather than *to which people give*.
- Charitable organisations (grant recipients) are also the vehicles not the clients of a community foundation.
- The success of a community foundation will be determined by its ability to establish trusting relationships with both the foundation's donors and the community it serves.
- A progressive community foundation is increasingly recognising, capitalising on, and utilising the knowledge it has within and around it. Katherine Fulton and Andrew Blau state that community foundations 'are turning themselves into knowledge hubs about non-profit issues and social concerns of their communities'[16].

Our experience supports Leonard's contention that in the start-up phase, a foundation can really do one thing well. Later on as the community foundation grows it can have a broader view and embrace one or both of the recognised other roles.

6.2. Right order?

Our experience appears to bear out Leonard said about the importance of the order of activity.

She concluded (and Dorothy Reynolds' Table 1 further concurs) that grant making models lead to slow growth, whilst donor services could bring rapid growth at the expense of highly restricted fund purpose.

Leonard and Reynolds seem slightly at odds about a community leadership focus with Leonard believing it brings slow growth whilst Reynolds feels it could bring moderate to rapid growth but not to the extent that a donor services approach can. Our feeling from our

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[14] Emmet Carson, 'A Crisis of Identity for Community Foundations' in *The State of Philanthropy 2002*, National Committee for Responsive Philanthropy, Washington 2002, p7.
[15] Peter Hero, *op cit*, p5.
[16] Katherine Fulton and Andrew Blau, 'Trends in Philanthropy Today' in Discovering Philanthropy in the 21st Century, working paper, June 2003, p7.

own experience is that community leadership should bring slow to moderate growth and so should therefore be second off the rank after a donor service focus in the early years.

The caveat from our experience being that without highly credible and energetic founding trustees who can 'give and get' big funds, a donor services focus may prove to be the slowest of the lot!

6.3. Right leadership?

As Leonard identified, one of the three most important aspects of community foundation growth is the 'driving force of personality' and while this is not leadership per se, it is certainly very closely related. At different stages of a community foundation's growth we believe different people should be leading and the leadership should be tailored to circumstance and context.

In the early stages, we believe the leadership should come from the Board and most particularly the founders and the Chair. It is their credibility, connections and ability to communicate that will lead to the recruitment of donors. When a community foundation has just a dream…no track record, no funds under management, no grant making expertise and no community understanding, donors are backing the Board and watching closely to see if they are committing personally and actively taking part in raising funds and selling the vision.

As the foundation and the team grow, then increasingly leadership should come from the Chief Executive and his team. Part of this leadership is external facing, presenting a vision for the future, inspiring support and confidence and communicating clearly. Part of it is internal…supporting staff and trustees through the early rocky phases of growth whilst building optimism, confidence, hope, and resilience.

As the community foundation enters its maturity phase then the expansive and collaborative leadership required by major social change challenges becomes a new and important task for Board and Chief Executive alike. Leadership may also take the form of having the courage to speak out at the staff or board level to question entrenched views and established practices and guard against the perils of complacency.

6.4. Staging of management expertise?

As tempting as it may be for a foundation to have the very best management it can afford from the outset, our experience suggests that might not be the best idea. In fact it may even be detrimental during start-up as it may cause the Board to 'take a back seat' on the critical role of donor service and fundraising and personally promoting the foundation far and wide to people with the means to support it.

As the community foundation enters the growth phase high quality management becomes very important as donors require confidence in systems, investments, and grant making expertise. They are past the stage of just trusting a high profile board member who has put their own money behind the idea.

As maturity beckons top quality management becomes even more important. Well established community foundations are exceptionally complex organisations with many stakeholders and very large social and financial responsibilities. Any suggestion of a laissez-faire attitude or less than satisfactory managerial expertise could lead to donors deserting in droves and major negative impacts on local communities.

7. Conclusion

We recognise that it is impossible to establish 'hard and fast' rules for how to establish every community foundation. Perhaps more than any other organisation, they are creatures of their context and knowledge of the environment is an essential prerequisite for success.

However, our experiences have indeed convinced us that, in our contexts, when faced with the same choices again we would make some different decisions on how we focused our energies and configured our foundations. Nineteenth century English writer William Hazlitt said that "Reflection makes men cowards," but we feel we would actually be more courageous based on what we have learned. We would be steadfast in not starting until we had the right Board and Board leadership, we would be unafraid to say 'no' to non-priority activities and we would be very determined about who provided the leadership at the critical stages.

Table 4 below summarises how we would govern, lead, and manage our community foundations base on our experience and most critically the areas that we would focus on at each stage.

<table>
<tr><th>Stage</th><th>Focus</th><th>Governance</th><th>Leadership</th><th>Management</th></tr>
<tr><td>Start-up</td><td>Donor Service and Fundraising</td><td colspan="2">* High profile founding donors give big gifts to establish and have a single-minded focus on building funds under management.

<u>KEY BOARD ROLE</u>:
Fundraisers and Cheerleaders.</td><td>* Management by volunteers or part time staff.

<u>KEY MGT ROLE</u>:
Low cost delivery, 'admin-lite'.</td></tr>
<tr><td>Growth</td><td>Donor Service and Fundraising

Community Leadership and Understanding</td><td>* Increasing focus on strategic planning and establishing systems expected of a trusted fiduciary
* Continued active role in fundraising</td><td colspan="2">*Paid senior staff become more prominent as public leadership for organisation.
* Increasing attention from professional advisers requires strong systems/admin
* Undertake activities that demonstrate community understanding and leadership.</td></tr>
</table>

		KEY BOARD ROLE: Strategy, fiduciary, fundraising referrals	* Improved admin systems and streamlined processes	KEY MGT ROLE: Community leader Chief fundraising officers Infrastructure development
Maturity	Donor Service and Fundraising Community Leadership and Understanding Effective Grant making	* Strategic direction * Compliance and credibility * Board renewal and succession * Avoid stagnation KEY BOARD ROLE: Agitate, challenge, plan succession	* Greater collaboration between donors and with other philanthropic players * Sectoral leadership (CEO and Board)	* Fundraising * Strong infrastructure * Community leadership and research * Public profile * Develop strategic partnerships KEY MGT ROLE: Strategy, fiduciary, team leadership

Table 4: Mark and Marion's view of an ideal staged process

When Marion and Hayden were recently reflecting on their time working together as part of both MCF and AustCF, they agreed that one of the reasons the Foundation was successful was something that is not often discussed.

Working together, rather than on their own, gave them the courage to start the Foundation in the first place. This, together with having a shared determination to succeed, high levels of trust, the readiness to be both strategic and opportunistic, as well as the willingness to make the hard decisions, they agreed, were vital ingredients to their success.

In New Zealand, while Mark didn't have such a colleague on hand, in spite of being over 2,500 kilometres away, Marion and he quickly established a very close working relationship, with much of the shared qualities of those that Marion and Hayden shared. With current technology and pretty regular face to face contact, these relationship distances are much diminished.

While working in tandem with another person may not be a an essential ingredient for success, having at least one other committed person in concert with you in the early days makes the tough job of establishing and building a community foundation much less overwhelming.

Marion and Mark believe it is always worth trying to find such a person.

And finally, a further essential ingredient is to have some fun and celebrate your successes not matter how small they may feel at the time.

8. Generalization

Our perspective on governance, leadership and management is shaped by modern (predominantly Western) approaches to the subject. In other cultural contexts governance, leadership and management may be configured and enacted in different ways. However, we do believe that many of the observations above still have relevance to non-Western community foundations. It is, however, critical that the cultural aspect of indicators and the cultural impact of decisions be fully considered.

Appendix A – Current environment

Australia

In Australia, there are 36 independent, community-owned foundations that are governed by voluntary boards. Two of these are professionally managed by trustee companies and another nineteen are sub-funds of community foundations or trustee companies. These foundations have varying ways of operating, depending on their locality, the local demographic in which they operate, community need, and the focus of their leadership. A large number of these operate in small regional and rural communities with a focus primarily on running community development projects. For many the focus on endowment building is limited, particularly where populations are small. Their long term viability has to be questioned.

Melbourne Community Foundation was the first independent community foundation in Australia, established in 1997.

When looking at the current environment in which community foundations in Australia operate, there are significant differences between the Australian philanthropic landscape and culture of giving compared to 20 years ago.

At that time:

- There were less concerted efforts made to spread the message about the importance of giving by both government and the philanthropic sector itself.
- The notion of accessible philanthropy had not yet been established. Philanthropy was seen as the province of only the very wealthy.
- New structures such tax deductible funds that can be established during the life time of a donor (Private Ancillary Funds), and commercial gifts funds to create new vehicles for giving, had not yet been developed.
- There was a greater reliance on government funding for the provision of social services.

In this environment, those in Australia seeking to build new approaches to giving through the community foundation model were operating in a much less complex and competitive environment. Prior to the advent of Private Ancillary Funds 2001 and commercial charitable gift funds, community foundations were really the only option for tax effective giving for those wishing to establish a structure for giving during their lifetime.

As well, there were no established local community foundation models to follow so Australia, like so many other countries, looked to draw on the experience of the USA which had, following many decades of community foundation experience, a sophisticated, strongly developed and well-resourced sector.

Furthermore, USA private foundations, particularly the USA based Charles Stewart Mott Foundation, believed in supporting the growth of community philanthropy both within the USA and internationally. It was therefore the USA model of community foundation development which measured success and sustainability by endowment size alone, that dominated thinking.

New Zealand

The Tindall Foundation, a large private family foundation in New Zealand, was instrumental in supporting the growth of the Community Foundation movement since 2003. They recognised that community foundations were expanding around the world and sought to help New Zealand develop a similar philanthropic resource.

Since 2003, fourteen community foundations have been established in New Zealand. These community foundations currently hold 60 million N.Z. dollars (40 million U.S. dollars) under management and have over 160 million N.Z. dollars (116 million U.S. dollars) registered in notified bequest intentions. In 2013 a national body, Community Foundations of New Zealand, was established.

The community foundation movement in New Zealand has grown more slowly than in the USA, UK or Australia. However, the lack of development of commercial charitable gift funds, provides a window of opportunity to capture the donor market before it becomes too competitive.

Several years ago, a major Australian based financial institution endeavoured to establish a commercial charitable gift fund, modelled on their Australian counterpart, but this didn’t succeed. Only this year that company’s successor Perpetual Guardian has established a commercial philanthropic arm.

One unique issue in the New Zealand not-for-profit landscape is the high number of small charities competing for the philanthropic dollar. There are over 27,000 registered charities currently operating in New Zealand (Charities Services, Department of Internal Affairs, 2016). At approximately one charity for every 166 citizens, this ratio is one of the highest in the world. The overcrowded charity market is frequently criticised by the press for its perceived wasteful duplication and provides additional complications for effective grant making.

Appendix B – The Authors

Marion Webster (OAM) was selected as an Inaugural Fellow of the 2003 Senior International Fellows Program at the Center on Philanthropy and Civil Society, The Graduate Center, CUNY. The subject of her study at CUNY was *Ensuring Sustainable Community Foundations*. This followed nine months as the Interim CEO of the Community Foundation Network in the UK and, prior to that, Marion was co-founder of Melbourne Community Foundation (MCF) - now Australian Communities Foundation - which started in 1997.

Following her return to Australia in 2003, as well as remaining on the Board and taking on the Chair's role, she was appointed Interim CEO for a six month period to develop a new strategic plan for the Foundation that would incorporate the learnings she had gained working and learning in the UK and the USA. Although Marion resigned as Chair of Australian Communities Foundation in 2012, she continues to undertake consulting work for it.

In 2004 she was awarded a Medal in the Order of Australia (OAM) by the Australian government for her services to philanthropy.

In 2007, Marion was invited to join the Board of the Manukau Community Foundation in South Auckland, New Zealand, and was then commissioned to undertake a strategic review of the Foundation. As a result, the foundation extended its reach to cover the Greater Auckland region. She continues as a board member of the Foundation and worked closely with Mark Bentley during his four years as CEO of the Foundation.

At present, Marion is the Director of Per Capita, Australia and the Joint Executive Director at Kilfinan, Australia. She continues to serve on the boards of a number of organizations, spanning welfare, the arts, medical research, disability and community philanthropy.

Mark Bentley is an alumnus of the 2012 Senior International Fellows Program at the Center on Philanthropy and Civil Society, GC, CUNY. His studies analysed how the involvement of local government could potentially accelerate the achievement of community foundation sustainability.

Mark was recruited in 2009 to launch Auckland Communities Foundation. As the Chief Executive Officer, he oversaw the Foundation's early development and growth. Over a four-year period, he established the Foundation as a well-regarded member of the philanthropic community, a social change commentator, an innovative grantmaker and a credible destination for donor funds.

Previously Mark worked for the University of Auckland Business School as Director of Marketing and Advancement and then General Manager of the New Zealand Leadership Institute. Prior to this he enjoyed a career in the UK in corporate marketing and management roles in the education, TV sport, construction and advertising industries.

Presently, Mark is the Director of Alumni Relations and Development at the University of Auckland where he is leading the University's 'For All Our Futures Campaign' - the largest philanthropic campaign in New Zealand's history.