Philanthropic Leadership at the Community Level

Philanthropy takes on many forms in a community including individual giving, corporate giving, charitable bequests, and foundation grantmaking. Contributions in 2008 can be used to illustrate the presence and strength of each of these forms. According to "Giving USA," the annual survey of giving patterns in the United States, total giving was estimated at more than %300 billion, with the total divided among individual giving at 75%, foundation grantmaking at 13%, charitable bequests at 7%, and corporate giving at 5% (http://www.givingusa.org). As is traditionally the case, individual giving was the greatest source of charitable dollars in 2008, with individual philanthropists directly supporting the mission and programs of specific nonprofits and causes. This form of giving most directly represents a donor's preference for the use of a donated dollar, in that the donor selects a nonprofit, a program, or a cause and gives the money to that effort directly.

Foundations, on the other hand, are institutions that manage private funds dedicated to public purposes and direct the majority of those funds through grants to nonprofit organizations (Prewitt, 2006, p. 356). There are two kinds of grantmaking foundations: the private foundation and the community foundation, each governed by a different set of Internal Revenue Service (IRS) rules. Both kinds of foundations traditionally facilitate their work through managing a collective pool of funds that have been donated, earned from investments, or granted to the foundation for mission-related activities. These funds are then distributed on behalf of the original donors in respect to the foundation mission and personal preference, in many cases through donor-advised accounts. In addition to the traditional fund-managing and grantmaking roles, foundation activities include convening key community stakeholders, collaborating within and across sectors, and building nonprofit partner capacity. Studies have found differences in the mix of activities conducted by an individual foundation, but research generally agrees that foundations are exercising leadership at the community level (Center for Effective Philanthropy, 2008; Fairfield & Wing, 2008; Foundation Center, 2007; Ostrander, 2007; Ostrower, 2006). Given this prevalence of foundation leadership, nonprofit leaders within a community may not be aware of or understand the power inherent in acquiring knowledge of the processes of foundations in developing and exercising leadership strategies.

Why Would Nonprofits Care?

Understanding how foundations lead communities is extremely important to the success of nonprofits in the United States for a number of reasons. For one, foundations are a source of a good deal of money. In 2008, the more than 75,000 foundations operating in the United States granted an estimated %45.6 billion (Lawrence & Mukai, 2008, p. 1). The amount of money contributed to the nonprofit sector by foundations has been found to bring significant influence to bear on nonprofits (Gronbjerg & Martell, 2000). Therefore, successful nonprofits look to foundations for this support and strategically must acknowledge the influence that accompanies those resources.

A second reason understanding foundation leadership is important is that it includes different activities, norms, structures, and roles. Often, individual foundations choose their activities based on the foundation's individual circumstances, such as the foundation type or its organizational values, those underlying institutional principles

that govern a foundation's relationships with various constituencies. To relate to foundations successfully requires a nonprofit professional to understand how these different institutional circumstances impact the choices foundations make. Certainly, foundations are viewed often as unique. "Once you have seen one foundation" goes the popular adage, "you have seen one foundation" (Ostrower, 2006, p. 510). While that is true, foundations have important institutional similarities, and in those are clues to deciphering the leadership style of an individual foundation. Foundations, for example, are private institutions defined by their mission and the requirements of their tax-exempt status. These private institutions all have missions that call them to serve the "greater good" in their activities and to meet the requirements of tax exemption (such as to distribute their earnings for charitable purposes rather than to shareholders).

Differences between foundations become apparent when one compares foundations by type. Consider, for example, the case of private versus community foundations. Private foundations, such as the W. K. Kellogg Foundation, are generally established through the endowed gift of a single source and, therefore, focus on the wishes of the founding donor. Community foundations are legally classified as public charities and operate by both raising and distributing money to specific geographies based on the wishes of a diverse group of donors with unique personal causes and unique community needs. It is also important for nonprofit leaders to consider a foundation's size and institutionalized values to ensure congruency with requests for funds and participation at roundtable discussions. Those values are often operationalized in the attitudes and perceptions of foundation leaders (Ostrower, 2006). A prudent nonprofit professional understands these differences and uses that understanding in all foundation relations.

There is a third reason for nonprofits to understand foundation leadership. The expectations foundations have regarding nonprofits are changing, related to the pressure within the philanthropic community for accountability and effectiveness. These same expectations are recently evidenced in Requests for Proposals (RFPs) from government, foundations, and other funders. Although there is a lack of clarity about the meaning of *effectiveness,* it is generally accepted that there is pressure on foundations to be both accountable and transparent in their activities. Foundations transfer this emphasis to their grantees, with calls for nonprofits to use data to demonstrate need, to track progress toward goals, and to measure impact. Foundations now often make accountability an expectation for grantees in priorities and grantmaking. There are differences in how foundations approach accountability and effectiveness (Ostrower, 2007; Sowa, Coleman, & Sandfort, 2004). Understanding how foundations view effectiveness in their work will give nonprofit professionals critical insight in approaching foundations for support and anticipating the extent to which accountability will be required in their work.

This chapter discusses how foundations lead in communities and then offers realistic strategies for nonprofits to use as they access foundation leadership through grant awards and collaboration related to foundations. Before this discussion can occur, however, we need a definition of leadership.

Leadership: A Transactional/Transformational Approach

In writings about philanthropic leadership and the role of foundations, phrases like *foundation effectiveness* and *adaptive or strategic leadership* often appear (Bernholz, Fulton, & Kasper, 2005; Center for Effective Philanthropy, 2007; Ostrower, 2006). These phrases represent common themes such as the relationship between the leader (i.e., the foundation) and the follower (i.e., the grantee) or the practices of leadership, which include negotiated work as opposed to collaborative work. Transformational leadership is a framework that effectively articulates the range of leadership styles and activities. This concept is familiar to professionals from a variety of backgrounds and provides an appropriate framework for the discussion of philanthropic leadership because it is accepted by those who write about philanthropy and is familiar to the trustees and other volunteer professionals who make up philanthropic leadership.

First defined by James MacGregor Burns (1978), the fundamental principle is that there are two categories or

styles in the way people (or organizations) lead: transactional and transformational. Transactional leaders influence and lead through direct exchange, in that the leader and the follower exchange one thing for another. Leaders exchange something of value that they possess or control with followers in exchange for a particular outcome or service. For a foundation, this might be that the foundation gives money to a grantee to accomplish certain goals. The exchange is the money for the program. Transactional leaders often define the work based on negotiated work plans or contracts. When the work is completed (or not), leaders award the followers with tangible (e.g., money) or intangible (e.g., praise, additional work) rewards or with punishment (e.g., penalties, consternation), concluding the transaction (Rowold & Rohmann, 2009). The traditional philanthropic functions such as fiscal management and fund distribution (including all the grantmaking and management functions) could be viewed as transactional.

A transformational leadership style, on the other hand, is not based on transactions. The relationship between leaders and followers is more engaged. Central to the style is the mutual development of vision and action. Transformational leaders influence followers toward action that is collectively developed rather than action that is basically a transfer of resources. Transformational leaders solicit followers' ideas, encourage creativity, and instill high standards and deep convictions (Bass, 1997). Transformational leadership is strategic and is characterized by leveraging resources and adapting goals to circumstances and opportunities.

Neither leadership style is the "right one" for all organizations in all situations. Transformational leaders who are committed to building vision do not necessarily do so to the detriment of making effective investment decisions or managing an efficient grant portfolio. The two styles can exist together in a foundation, with the transformational leadership enhanced by the transactional functions (Bass, 1997; Burns, 1978), or a foundation might have only one style. Clearly, a foundation cannot be effective in leading a community if the fiscal and fiduciary transactions are not performed in a flawless manner. There is, however, increasing awareness in the philanthropic community that using both styles builds innovation, creativity, sustainability, and impact over time (Bernholz et al., 2005; Center for Effective Philanthropy, 2007; Ostrower, 2006; Walden, 2006).

Transformational activities include convening diverse stakeholders, collaborating with government and business, partnering with grantees around innovative strategies, or advocating for public policy positions. Auspos, Brown, Kubisch, and Sutton (2009) uncovered six "civic roles for philanthropic organizations' engagement in communities," using as a case study Living Cities, a "consortium of financial organizations, private foundations and private sector organizations … working … to improve distressed neighborhoods in 23 cities" (p. 135). These various roles can be viewed as transformational in nature and can be used to illustrate how foundations can successfully lead in a community. The six roles identified in the case study were the following:

1. Convening and leveraging diverse networks of relationships
2. Developing local data and plans for community change
3. Leveraging new resources on behalf of the community
4. Mobilizing political will
5. Framing new messages and communicating strategically
6. Generating and testing new ideas and building and sharing knowledge

For foundations, transformational roles are often classified as direct charitable activities. The Foundation Center (2007) conducted a study of 900 of the top 3,000 foundations in the United States in terms of giving (in 2005), focused mainly on independent and family foundations. The results, as reported in "More Than Grantmaking: A First Look at Foundations' Direct Charitable Activities," illustrate the importance foundations place on direct charitable activities. First, different types of foundations are involved in direct charitable activities, and the level of support for such activities varies. According to the Foundation Center, a quarter of the independent and family foundations surveyed conduct direct charitable activities (and programs) and "spending ranges from a small fraction of their overall charitable administrative expenses to more than 25 percent for about one in four" (Foundation Center, 2007, p. 6). Second, the size and the type of the foundation influenced the involvement in

these activities. Half of the surveyed foundations that make grants of %10 million or more indicated that they conduct direct charitable activities, and community foundations reported far higher levels of participation in these activities (61%) than independent or corporate foundations. Third, three fifths of the reporting independent and family foundations indicated that their involvement in direct charitable activities has increased in the last 5 years, and three fourths predicted that the "practice is becoming more widespread" (Foundation Center, 2007, p. 5).

The increase of nongrantmaking activities is viewed by many in the foundation world as a move toward effectiveness (Bernholz et al., 2005; Center for Effective Philanthropy, 2007; Ostrower, 2006). Gwen Walden (2006) of the California Endowment identified convening, training, advocacy, strategic communications, nontraditional investment strategies and leveraging as activities that are transitioning foundations from "grantmaking to changemaking" (p. 30). Many philanthropic leaders measure a foundation's effectiveness by the success of those it funds (Bernholz et al., 2005; Center for Effective Philanthropy, 2007).

Philanthropic Transformational Leadership

In *On the Brink of New Promise,* Bernholz et al. (2005) laid out a blueprint for the activities of philanthropic leaders. They emphasized the community context of foundations, describing dynamic and fluid forces for change such as changing demographics, technology, economics, and institutional roles. The authors asserted that philanthropy needs to be engaged in community as proactively strategic rather than as reactive participants. Community philanthropy was defined as "the practice of catalyzing and raising resources from a community on behalf of a community, … including affinity across geography, issues, and identity" (Bernholz et al., 2005, p. 1). Given that definition, the leadership role these authors describe could be assumed by any foundation that asserts impact on particular issues, a particular geography, or a particular group.

Bernholz et al. (2005) challenged foundations to adopt two core values. The first value is to be transformational leaders and the second to be strategic in that effort. To be transformational leaders, foundations cannot act as the "community ATM" (Rosenberg, 2009). This metaphor is used to describe foundations that respond to financial needs as requests come to them: direct grantmaking. The increasing pressure for effectiveness is moving foundations to expand their activities to a change-making role, one of transformational leaders. And along with it, grantees are finding varying strategies and success.

Attitudes and Perceptions

Foundations are embracing the effectiveness, transformational challenge with varying attitudes and perceptions. Using survey data collected from 1,192 staffed, grantmaking foundations, a team from the Urban Institute developed a typology for grouping foundations based on their attitudes and perceptions of effectiveness. Reviewing this research gives a clear framework for understanding the variation of foundation values and behaviors. It is valuable because it moves beyond the traditional grouping of foundations to one based on their views and values related to foundation effectiveness. Foundations were asked to report what they viewed as important to achieving effectiveness, and then, they were grouped based on their responses to questions measuring effectiveness components and approaches. The scales and the views and activities associated with them are as follows (Ostrower, 2006, pp. 511512):

- *Proactive orientation:* Foundations that measure high on this scale view proactivity as important and make grants for foundation-designed initiatives, using measurable outcomes as an important grantmaking criterion. They believe it is important to engage in activities beyond grantmaking to increase impact, focus on root causes, collaborate, and seek out social needs.
- *Technical assistance/capacity building:* Foundations that measure high on this scale view technical assistance and capacity building as important and support that work. They also provide nonfinancial technical assistance in areas that include board development, strategy and planning, fundraising, communications, technology, and hosting grantee convenings.

- *Social policy/advocacy:* Foundations that rank high on this scale believe that influencing social policy is important to being effective. They award grants to support advocacy and place a high value on social change.
- *Internal staff development:* Foundations that rank high on this scale provide opportunities for training and development in use of computers and/or technology, internal management, and grantmaking.

The foundations were then clustered into four groups according to how they ranked on the four scales. The distribution of foundations across these groups is an indication of the range of attitudes and perceptions among the responding foundations. One group of 313 foundations (29%) rated all four areas as high. A second group included those foundations that ranked relatively high on the proactivity and social policy scales, but not on the management/technical assistance or internal staff development scales. There were 296 foundations (28%) in this group.

The third group was comprised of foundations that ranked high on the proactivity and internal staff development scales, but not on the social policy or management/technical assistance scales. There were 230 foundations or 22% in this group. The fourth group included 224 foundations (21%) that ranked all four scales low.

Once foundations were grouped, similarities and differences were analyzed both within and between the groups. Reviewing these similarities and differences can give a nonprofit professional useful insight into the attitudes and behaviors of foundations. For example, consider a foundation that views all four areas (proactivity, social policy, management technical assistance, and internal staff development) as important to their foundation effectiveness. The research found that such a foundation (high in all areas) believed it was important to publicize the foundation and its work to be effective and that strengthening other organizations was an important goal of their grantmaking. Nearly half of these foundations believed that ethnic or racial diversity of board and staff was an important criterion in grantmaking decisions, and a high percentage make investments or do not because of social, political, or environmental practices. A high percentage of foundations that rated all four areas as highly important to foundation effectiveness were found to have used evaluation in their grantmaking, to have conducted a strategic plan, to be involved in communication activities, and to have participated in collaboration. Foundations that rated some or all of these activities as important to effectiveness are leading as transformational leaders. Foundations that were low in all areas were less likely to hold these types of attitudes or practice these types of behaviors. If a foundation sees their effectiveness as being determined by the transformational attitudes and behaviors measured by this study, a nonprofit professional can expect pressure to partner with the foundation in a transformational manner. To be successful with such a foundation will require more than a well-written proposal.

Although foundation professionals find activities beyond grantmaking to be important and an increasing part of the grantee/foundation relationship, nonprofit professionals question whether the activities are successful (Center for Effective Philanthropy, 2007). In an effort to determine what assistance is being given beyond grants and to measure the effectiveness of that effort, the Center for Effective Philanthropy conducted a survey with nonprofit organizations and their experience with certain foundations as well as surveys and interviews with foundation program staffs and boards. The research found that foundation staff members believe that assistance beyond grants is important for impact and goal achievement; they "know little about the actual results of the assistance they provide" (Center for Effective Philanthropy, 2007, p. 6). In addition, the majority of grantees (of a large foundation) receive no assistance, and those that do generally just get two or three types of assistance beyond grants, which according to those surveyed is not effective. To provide comprehensive assistance requires a significant investment on the part of the foundation, yet it was reported that assistance embedded in a set of supports provides the most positive experiences.

Transformational Leadership: Why Foundations Lead as They Do

The leadership theory and the research presented in this chapter can be synthesized as follows:

- Individual foundations take on different roles in communities, and those differences include the foundation's involvement with views of effectiveness, relationship to grantees, and leadership activities.
- Transactional and transformation leadership styles exist in community philanthropy as a continuum and are selected by foundations in communities based on the foundation's size, type, and the attitudes and perceptions its leaders hold about effectiveness.
- Transformational activities can often include networking and leveraging resources and relationships across diverse groups, generating and sharing knowledge, and using data to articulate needs, monitor progress, and measure impact.
- Transformational activities are promoted as a strategy to strengthen foundations' capacity to adapt and lead in dynamic environments.
- Transformation activities can often bring foundations to expect grantees to use data to demonstrate need, to measure progress, and to report impact.
- Direct charitable activities, support beyond a grant, takes time and resources.

Given these realities, why does a foundation choose a particular leadership style? Certainly, choosing a style has both organizational benefits and risks. If the philanthropic leadership is transactional, a foundation has the benefit of a high level of control. The foundation leadership (including board, staff, and donors) determine how money will be managed and distributed. The leadership decides what is important and what will be done with foundation money. This style of leader controls the organization's "message," the focus and priority of issues, and the assessment of efforts. A transactional leader also has the ultimate authority for quality. This leader negotiates an exchange of resources for services and continues or discontinues those efforts based on the criterion of that particular foundation. Moving to a transformational style risks the loss of this exclusive control by inviting others, including grantees, to share in leading the vision and the work.

Sharing exclusive control often means putting the foundation's name and credibility on the line and can mean supporting weak partners or those who are not able or willing to support shared vision or priorities. For a foundation to lead exclusively through grantmaking, in a transactional style, puts a high level of trust in the foundation's capacity to act individually. A foundation may be in that position because of the amount of money the foundation has to grant based on its priorities or because the priorities are precise or unique, making collaboration arguably irrelevant. Increasingly, single institutions are less likely to have the resources to act independently in communities. Communities are dynamic, and community needs are often interrelated. Independent action can be risky for many foundations, whereas for others, it is a realistic and successful approach.

The range in leadership styles ultimately means that nonprofit professionals cannot guess how any one foundation approaches its leadership in a community. Guessing is not the road to success in foundation relations. Success waits at the intersection of styles. Success lives when nonprofits and foundations match.

Leadership Strategies for Nonprofit Professionals

Just as a foundation's relationship with grantees reflects a leadership style, a grantee's relationship with a foundation equally reflects a style. In a transactional relationship, the grantee views the foundation as a funder, a contracting institution. Generally, the nonprofit views the foundation as the leader and itself as the follower. The foundation leadership (board and staff) assess need and determine areas of focus. The foundation may put out an RFP or call for proposals, to which the nonprofit would respond. Even if it does not use an RFP or call for proposals, the foundation will have funding priorities, focus areas, or interests that are used to make fund distribution decisions. Whatever approach is used, the foundation selects and funds the work, and the nonprofit conducts and reports the work. In a transformational relationship, the grantee is not necessarily a follower. Depending on the activities of the foundation, a grantee might be called on to determine needs (through a convening, for example) or to collaborate with others around programs or initiatives. This is a very different role for a nonprofit, and not all are ready or interested in relating to foundations in this way for two reasons. One, the nonprofit may believe that it does not have the organizational capacitystaff or other resouratesto be involved

in community collaboration or collective visioning. The second reason is that the nonprofit may not consider community leadership that is transformational a priority. In measuring the components of organizational effectiveness, these nonprofits would not rate high on the four scales: proactive orientation, technical assistance/capacity building, social policy/advocacy, and internal staff development (i.e., as noted in Ostrower, 2006). Also, a nonprofit needs to come to clear terms about the power dynamic that traditionally exists between those that give money (foundations) and those that ask for it (nonprofits). This dynamic is, in many cases already described, old and ineffective in the age of philanthropic effectiveness and stands in the way of successful grantmaking impact (Orosz, 2007). To be successful, the nonprofit needs to find foundations that lead with a style that matches its style of following. To find these foundations requires a strategic process, conducted with thought and intention.

Strategy as a vehicle to drive organizational excellence developed in organizational leadership in the last 40 years. Any number of models and tools are dedicated to the theory and practice of strategic planning for nonprofits. Generally, those are beyond the scope of this writing except in the most basic of form (see Allison & Kaye, 1997, and Bryson, 1995, for a thorough treatment of strategic planning). That basic form is this: The actions of nonprofits must be based in the context of the world in which their mission lives. For nonprofits to be successful with foundation relationships, they need to ground both their strategy and intention in a contextual process. They need a strategy as defined in the strategic organizational studies and framed as an intentional process. In his book, *The Nonprofit Strategic Revolution,* David La Piana (2008) defined strategy as a "coordinated set of actions toward an end to creating and sustaining a competitive advantage" (p. 32). La Piana describes strategic thinking and positioning as an ongoing activity. It is, for example, a thoughtful assessment of a nonprofit and its context, creating significant information for the nonprofit's leadership to use in priority-and strategy-setting decisions. Strategies for foundation relations are the result of a contextual assessment of the nonprofit and its mission, values, and resources. This assessment is done within the community environment and includes all foundations involved in community philanthropic efforts, their resources, and their leadership style. The strategic assessment needs to be completed as a part of the nonprofit's strategic planning to "chart the course" and then used in any and all decisions related to foundation relations. The assessment process includes a "strengths/weakness/opportunity/threats" analysis of both the internal and the external context of the nonprofit and, as such, can be conducted using a series of three steps. Knowing the unique nature of foundation leadership, the key is to systematically take the time and focus to analyze both the challenges and opportunities available in the nonprofit and foundation relationships.

Step 1 : Know Your Organization

The first step is to thoughtfully consider the nonprofit's mission. In this step, a nonprofit conducts a systematic review of the mission and values of the organization and considers the alignment of current programming to that mission and values. This is an internal and an external assessment, in that information is gathered from both "inside and outside" the organization. What is this nonprofit? Why does it receive a tax exemption? To conduct such an assessment, the nonprofit leadership needs, first, to revisit the mission and values of the organization to ensure that all leadership understands and agrees with the definition of the mission and values. Then, a good deal of data must be used to discern how the mission and values are currently being articulated in services or advocacy or policy depending, of course, on the mission itself. A thoughtful assessment includes an honest consideration of the governance system. What is the role of the board of directors? Next, what are the systems that define the operations of the nonprofit? All systems must be considered including human resources (including volunteers), fiscal management, consumer outreach, and service delivery. Where does the money go? For example, are there funds going to support community collaboration? One looks in this assessment for evidence of leveraging of funds or diversity of funding that comes through partnerships or mutual service delivery.

In this stage, deficiencies can appear. How capable is the nonprofit of delivering data about these systems? Organizational capacity issues can surface at this step, and those are important if a nonprofit aspires to seek

funding from a foundation that requires data beyond what the nonprofit can provide. Also, aligned to mission and values, the nonprofit must realistically review service delivery. Who are they serving, and to what extent do those individuals match the organizational mission? Multiple-year data need to be viewed to determine trends. In this stage, the nonprofit also needs to assess how it relates to its consumers/clients/patients. A foundation that is transformational in leadership will look for nonprofits that consult and involve consumers in service delivery design. Such a foundation will look for evidence that the nonprofit seeks out information from consumers about the effectiveness of programming. Some might look for consumer representation on the board of directors or on an advisory committee. The nonprofit needs to be thoughtful about the consumer relationship and be able to provide a rationale for that relationship based on organizational mission. Once this information is gathered, the strengths and weaknesses of each of the systems must be assessed.

Step 2: Know the Community and the Context

Knowing the community requires a nonprofit to assess a number of relationships. First, there needs to be a clear definition of the community it serves as a nonprofit first related to it. The nonprofit's community can be defined by a number of things, such as geography, ethnicity, gender, or other items. Consider the local scope of Every Woman's Place in Muskegon, Michigan, an empowerment organization for women, youth, and children (everywomansplace.org), versus the larger community of the American Association of Retired Persons (AARP). The community for Every Woman's Place is defined by geography, and for AARP, community is defined by age and membership. In all cases, a nonprofit needs to define its community before it can presume to build a relationship with a foundation.

Second, driven by the community definition, the nonprofit must gather significant data about that community. What is going on in the community? Economic and political data are important. Trends are enormously important so data from multiple years must be gathered. Other comparative data may also be important for comparison such as data from different geographies, different constituent groups, or different program types. Data from national sources such as the U.S. Census prove a good source for demographics. Other national sources can found through a simple search of the Internet. Local data can often be found from those sources based on county or zip code.

Third, data must also be gathered through focus groups and interviews with key informants such as foundation leaders, donors to the nonprofit, and other community leaders. How does the nonprofit decide who needs to be interviewed? The choice is based on the mission and value review conducted in the first step and on the assessment of the economic and political context conducted in this step. Who are the critical people, and what are the essential organizations that determine the nonprofit's context? Questions in the interviews are strategic in nature. They address the strengths and weaknesses of the nonprofit as well as the opportunities and threats to constrict or expand services. It is important in this step to consider the foundations that operate in the nonprofit's community. What is their leadership style, defined by their mission, values, and grantmaking patterns? Are they engaged in direct charitable activities, and how do they define effectiveness?

The nonprofit also must consider what role the foundations have played in the strategic position of the nonprofit. Have foundations just been funders? To what extent has the nonprofit engaged with foundations or in community collaboration? If the nonprofit prefers a transactional relationship where funding is traded for programming, this can be affirmed at this step, and certain foundations can be found that prefer that to a transformational approach. This assessment produces the information needed to select foundation strategies that work.

Step 3: Act as Foundation Partners

In this step, a nonprofit sets a strategic direction. If the nonprofit decides to partner with a foundation that is transformational in style, the nonprofit needs to prioritize community engagement, internal capacity, and communication.

The nonprofit's strategic direction needs to provide resources including time and funding for the professional and board leadership to be involved in community collaboration. This could include interagency initiatives or community coalitions. Foundation leaders or core constituents need to be involved in the nonprofit's strategic planning, and internal systems need to accommodate timely data collection and effective program evaluation. Finally, the nonprofit's communication must be transparent and must accommodate the foundation's need to focus on impact and effectiveness.

With a clear understanding of internal strengths and external opportunities, the nonprofit leadership can select the foundations that have a matching strategic direction. Thoughtful direction comes from such an understanding.

Summary

Nonprofit professionals are successful when they recognize the diversity in foundations and understand the extent to which foundation leadership in communities is driven by foundation type, size, attitudes, and perceptions. Beyond that recognition is the need for nonprofits to assess their own organization and its leadership style and then to relate to foundations that are a match in expectations and style. A nonprofit can "win" a grant by delivering a program. Ultimately, however, the nonprofit succeeds when, in a strategic and thoughtful manner, it matches its capacity with foundations. Whether a foundation is transformational or transactional, it will look for nonprofits that can deliver through understanding. That is why and how successful nonprofit professionals relate to foundations in communities.

—Mary B. Mc Donald

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