

Georgia State University

**ScholarWorks @ Georgia State University**

---

Public Management and Policy Dissertations

---

10-1-2007

## **Overcoming the "Do-Gooder Fallacy": Explaining the Adoption of Effectiveness Best Practices in Philanthropic Foundations**

Shena Renee Ashley

Follow this and additional works at: [https://scholarworks.gsu.edu/pmap\\_diss](https://scholarworks.gsu.edu/pmap_diss)



Part of the [Public Affairs, Public Policy and Public Administration Commons](#)

---

### **Recommended Citation**

Ashley, Shena Renee, "Overcoming the "Do-Gooder Fallacy": Explaining the Adoption of Effectiveness Best Practices in Philanthropic Foundations." Dissertation, Georgia State University, 2007.

doi: <https://doi.org/10.57709/1059071>

This Dissertation is brought to you for free and open access by ScholarWorks @ Georgia State University. It has been accepted for inclusion in Public Management and Policy Dissertations by an authorized administrator of ScholarWorks @ Georgia State University. For more information, please contact [scholarworks@gsu.edu](mailto:scholarworks@gsu.edu).

**OVERCOMING THE “DO-GOODER FALLACY”:  
EXPLAINING THE ADOPTION OF EFFECTIVENESS BEST PRACTICES IN  
PHILANTHROPIC FOUNDATIONS**

A Dissertation  
Presented to  
The Academic Faculty

By

Shena R. Ashley

In Partial Fulfillment  
Of the Requirements for the Degree  
Doctor of Philosophy in Public Policy

Georgia Institute of Technology

August, 2007

Overcoming the “Do-Gooder Fallacy”:  
Explaining the Adoption of Effectiveness Best Practices in Philanthropic Foundations

Approved by:

Dr. John Clayton Thomas, Chair  
Andrew Young School of Policy Studies  
*Georgia State University*

Dr. Theodore Poister  
Andrew Young School of Policy Studies  
*Georgia State University*

Dr. Eric Twombly  
Andrew Young School of Policy Studies  
*Georgia State University*

Dr. Mary Frank Fox  
School of Public Policy  
*Georgia Institute of Technology*

Dr. David M. Van Slyke  
The Maxwell School  
*Syracuse University*

Date Approved: June 26, 2007

## ACKNOWLEDGEMENTS

Writing this dissertation has been an exciting and sometimes frustrating journey. I am thankful for the support of my committee members (Dr. John Thomas, Dr. Mary Frank Fox, Dr. Theodore Poister, Dr. Eric Twombly and Dr. David Van Slyke) who guided me along the way. I am also thankful for the prayers, encouragement and tremendous support from my friends, my partner Paul, and my family. Finally, I extend my gratitude to God for this journey, all that has come before it and all that is yet to come.

## TABLE OF CONTENTS

ACKNOWLEDGEMENTS.....	iii
LIST OF TABLES.....	vi
LIST OF FIGURES.....	viii
SUMMARY.....	xi
CHAPTER 1: Introduction and Overview.....	1
CHAPTER 2: Literature Review and Theoretical Overview.....	6
2.1 The Organizational Behavior of Foundations.....	6
2.2 Roles and Practices of Foundations.....	8
2.3 Factors Influencing Foundation Adoptive Behavior-Theoretical Overview...13	
2.4 Organizational Innovativeness Model.....	14
2.5 Organizational Strategy Model.....	16
2.6 Overall Theoretical Framework.....	17
CHAPTER 3: Description of the Effectiveness Best Practices.....	18
3.1 Evaluation.....	19
3.2 Knowledge Management.....	21
3.3 Leadership Development.....	23
3.4 General Operating Grants.....	24
3.5 Comparison of Effectiveness Best Practices.....	25
CHAPTER 4: Research Question and Conjectures.....	29
4.1 Research Question.....	29
4.2 Conjectures.....	29
CHAPTER 5: Data, Models and Constructs.....	44
5.1 Data Description.....	45
5.2 Methods of Analyses.....	47
5.3 Variable Description.....	50
5.4 Sample Description.....	55
5.5 Analysis Issues.....	58
CHAPTER 6: Data Analysis.....	59
6.1 Chapter Introduction.....	59
6.2 Difference between Adopters and Non-Adopters.....	59
6.3 Logistic Regression Results.....	67
6.4 Comparison of Final Regression Models across Effectiveness Best Practices.....	86

CHAPTER 7: Discussion of Findings.....	89
7.1 Comparison of Research Findings with Hypotheses.....	89
CHAPTER 8: Conclusions and Implications.....	101
8.1 Overview of Main Research Findings.....	101
8.2 Conclusions.....	102
8.3 Implications.....	105
8.4 Limitations and Future Research Directions.....	108
APPENDIX A: List of Survey Questions in the GEO 2005 Survey.....	110
APPENDIX B: Full Data Analysis Results.....	116
REFERENCES.....	149

## LIST OF TABLES

Table 1. Comparison of Effectiveness Best Practices.....	27
Table 2. Comparison of the Sample with GEO Membership.....	56
Table 3. Comparison of the Sample with General Foundation Population.....	57
Table 4. Logistic Regressions of Evaluation Adoption.....	73
Table 5. Logistic Regressions of Knowledge Management Adoption.....	77
Table 6. Logistic Regressions of Leadership Development Adoption.....	81
Table 7. Logistic Regressions of Operating Grants Adoption.....	85
Table 8. Comparison of Logistic Regression Models.....	88
Table A1. List of Survey Questions in the GEO 2005 Member Survey.....	111
Table B1. Summary Statistics.....	117
Table B2. Correlation Results.....	118
Table B3. Difference in Means Between Evaluation Adopters and Non-Adopters.....	119
Table B4. Difference in Means Between Knowledge Management Adopters and Non-Adopters.....	121
Table B5. Difference in Means Between Leadership Development Adopters and Non-Adopters.....	123
Table B6. Difference in Means Between Operating Grants Adopters and Non-Adopters.....	125
Table B7. Evaluation Logistic Regression Results.....	127
Table B8. Knowledge Management Logistic Regression Results.....	128
Table B9. Leadership Development Logistic Regression Results.....	129
Table B10. Operating Grants Logistic Regression Results.....	130
Table B11. Evaluation Interaction Effect Analysis.....	131
Table B12. Knowledge Management Interaction Effect Analysis.....	131

Table B13. Leadership Development Interaction Effect Analysis.....	131
Table B14. Operating Grants Interaction Effect Analysis.....	132



## LIST OF FIGURES

Figure 1. Comparison of Organization Adoption Theories.....	14
Figure 2. Determinants of Effectiveness Best Practice Adoption by Foundations.....	50
Figure 3. Distribution of Foundations by Staff Size.....	52
Figure 4. Distribution of Foundations by Type.....	54
Figure 5. Significant Differences between Evaluation Adopters and Non-Adopters.....	61
Figure 6. Significant Differences between Knowledge Management Adopters and Non-Adopters.....	62
Figure 7. Significant Differences between Leadership Development Adopters and Non-Adopters.....	64
Figure 8. Significant Differences between Operating Grants Adopters and Non-Adopters.....	66
Figure 9. Distribution of Interaction Effects in Evaluation Adoption Model.....	70
Figure 10. Statistical Significance of Interaction Effects in Evaluation Adoption Model.....	71
Figure 11. Distribution of Interaction Effects in Knowledge Management Adoption Model.....	75
Figure12. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model .....	75
Figure13. Distribution of Interaction Effects in Leadership Development Adoption Model .....	79
Figure14. Statistical Significance of Interaction Effects in Leadership Development Adoption Model.....	80
Figure15. Distribution of Interaction Effects in Operating Grants Adoption Model.....	82
Figure16. Statistical Significance of Interaction Effects in Operating Grants Adoption Model.....	83
Figure B1. Distribution of Interaction Effects in Evaluation Adoption Model 4.....	132

Figure B2. Statistical Significance of Interaction Effects in Evaluation Adoption Model 4.....	133
Figure B3. Distribution of Interaction Effects in Evaluation Adoption Model 3.....	133
Figure B4. Statistical Significance of Interaction Effects in Evaluation Adoption Model 3.....	134
Figure B5. Distribution of Interaction Effects in Evaluation Adoption Model 2.....	134
Figure B6. Statistical Significance of Interaction Effects in Evaluation Adoption Model 2.....	135
Figure B7. Distribution of Interaction Effects in Evaluation Adoption Model 1.....	135
Figure B8. Statistical Significance of Interaction Effects in Evaluation Adoption Model 1.....	136
Figure B9. Distribution of Interaction Effects in Knowledge Management Adoption Model 4.....	136
Figure B10. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model 4.....	137
Figure B11. Distribution of Interaction Effects in Knowledge Management Adoption Model 3.....	137
Figure B12. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model 3.....	138
Figure B13. Distribution of Interaction Effects in Knowledge Management Adoption Model 2.....	138
Figure B14. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model 2.....	139
Figure B15. Distribution of Interaction Effects in Knowledge Management Adoption Model 1.....	139
Figure B16. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model 1.....	140
Figure B17. Distribution of Interaction Effects in Leadership Development Adoption Model 4.....	140

Figure B18. Statistical Significance of Interaction Effects in Leadership Development Adoption Model 4.....	141
Figure B19. Distribution of Interaction Effects in Leadership Development Adoption Model 3.....	141
Figure B20. Statistical Significance of Interaction Effects in Leadership Development Adoption Model 3.....	142
Figure B21. Distribution of Interaction Effects in Leadership Development Adoption Model 2.....	142
Figure B22. Statistical Significance of Interaction Effects in Leadership Development Adoption Model 2.....	143
Figure B23. Distribution of Interaction Effects in Leadership Development Adoption Model 1.....	143
Figure B24. Statistical Significance of Interaction Effects in Leadership Development Adoption Model 1.....	144
Figure B25. Distribution of Interaction Effects in Operating Grants Adoption Model 4.....	144
Figure B26. Statistical Significance of Interaction Effects in Operating Grants Adoption Model 4.....	145
Figure B27. Distribution of Interaction Effects in Operating Grants Adoption Model 3.....	145
Figure B28. Statistical Significance of Interaction Effects in Operating Grants Adoption Model 3.....	146
Figure B29. Distribution of Interaction Effects in Operating Grants Adoption Model 2.....	146
Figure B30. Statistical Significance of Interaction Effects in Operating Grants Adoption Model 2.....	147
Figure B31. Distribution of Interaction Effects in Operating Grants Adoption Model 1.....	147
Figure B32. Statistical Significance of Interaction Effects in Operating Grants Adoption Model 1.....	148

## SUMMARY

In response to a recent national survey conducted by the Urban Institute, only a small set of foundations reported using effectiveness “best practices” (Ostrower, 2004). That finding was the catalyst for this dissertation research. Through this study, I attempt to explain the variation in foundations’ reported use of effectiveness best practices. To do so, I advance an organizational perspective, using an adoption framework, as an explanation for the observed variation in foundation use of effectiveness best practices.

In this study, I draw on two theories- organizational innovativeness theory and organizational strategy theory- to situate the central research question. Specifically, I develop an empirical model to examine the influence of four types of organizational factors- organizational capacity, organizational structure, operating environment and grantmaking orientation- on the adoption of four effectiveness best practices, formal evaluation, knowledge management, leadership development and operating grants.

Using data from a national survey of 135 foundations, I found that certain organizational and environmental realities have a significant influence on foundation adoptive behavior. Through this study, it is apparent that U.S. foundations vary substantially in their structure and in the ways they do their work and that those variations have a measurable impact on the decision to engage in effectiveness best practices. In addition, it is clear that the effect of organizational factors on the adoptive behavior of foundations varies according to the type of effectiveness practice considered.

Although the findings are suggestive, this study is a step forward in the development of a theory of foundation behavior, which will lead the field to an

understanding of the dynamics of change within a set of organizations that, to date, are understudied and not well understood.

Given the social and political context in which the effectiveness best practices are associated, this dissertation research has broad relevance for the ways in which foundation behavior is perceived and the means by which that behavior is shaped through policy and practice.

# CHAPTER 1

## INTRODUCTION AND OVERVIEW

Philanthropic foundations are important institutions in U.S. civil society. Through their work, intellectual directions in the sciences and arts have been nurtured and flourished, universities and libraries have been strengthened or built from the ground up, and the lives of individuals and communities have been transformed (Slater et al., 2004). While we are fairly familiar with the good works that foundation's support, we know much less about foundations themselves. Historically, foundations were notorious for their lack of public openness (Walker & Grossman, 1999; Bailin, 2003), so much so that they have been labeled "black-boxes" (Diaz, 1996). However, the current shifts in the size and character of the field (due in large part to increasing U.S. wealth and favorable tax incentives) make the void in our understanding of foundation behavior no longer tenable (Anheier & Toepler, 1999). If we are to understand the potential of foundations in society and their actual capabilities and limitations, we must have an understanding of how they operate and behave as organizations.

This dissertation research is a study of a specific type of foundation behavior-adoption behavior. Adoption refers to the decision to integrate a practice within an organization (Rogers, 1983). Adoption, in an organizational context, is an expression of an organization's reaction to an internal or an environmental shift. An understanding of adoption behavior in foundations enhances our understanding of the dynamics of change within these organizations.

My particular interest in this study is to explore the factors that serve as barriers or stimuli to foundation adoption. In doing so, I draw on the organizational innovativeness and organizational strategy perspectives, which focus on factors internal to the organization and in the organizational environment as determinants of adoption. Using these theoretical perspectives, I develop an adoption model that includes variables representing both organizational and environmental factors- organizational capacity, organizational structure, operating environment and grantmaking orientation. Organizational capacity refers to the resources, knowledge, and processes that are employed by an organization. The organizational structure refers to the ways that the organization is organized in terms of governance, management and operations. Embedded in organizational structures are normative pressures that affect the behavior of foundations. The operating environment refers to the external environment in which the organization carries out its activities. The grantmaking orientation refers to the strategic direction or current practice in an organization. This factor is intended to capture the effects of organizational inertia on adoption behavior. Using data on 135 foundations of all types and sizes from a membership survey of the organization Grantmakers for Effective Organizations, I empirically test the relationship between variables representing the four types of organizational and environmental factors on foundation adoptive behavior. This dissertation research makes a contribution toward the development of a theory of foundation behavior, which will greatly enhance our understanding of the ways in which foundations operate.

Of particular significance to this study are the practices used in the adoption models. There are four practices highlighted in this study. Each practice is characterized

as a best practice of effective philanthropy (Leviton & Bass, 2004; National Committee for Responsive Philanthropy, 2006; Geofunders, 2005). The practices include formal evaluation, knowledge management, leadership development and general operating grant support. The motivation for focusing on the effectiveness best practices in this study came from a 2004 study of foundation effectiveness by Francie Ostrower who found that a large portion of foundations are not engaging in practices that they themselves value as components of effective philanthropy. Through simple cross-tabulations of her survey results, she found wide variation in foundation leaders' reported use of practices according to foundation type, size and region. Her findings suggest a relationship between organizational factors and foundation adoption behavior. This dissertation research extends Ostrower's study by testing the relationship between organizational factors and adoption of effectiveness best practices through use of multivariate logistic regression analysis.

Empirically, the inclusion of four different practices allows four separate adoption models to be tested. Since each effectiveness best practice requires a different level of investment of time, finances and skills, the findings may differ across the adoption models, thereby demonstrating that the type of practice to be adopted matters and that the organizational characteristics that influence adoption behavior may depend on the practice under consideration.

Conceptually, the focus on effectiveness best practices makes this research relevant to a current issue in the philanthropic sector, foundation effectiveness. There is growing interest across the philanthropic sector in making philanthropy more effective. A number of organizations (Grantmakers for Effective Organizations, the Center for



Effective Philanthropy, the Morino Institute and the National Committee for Responsive Philanthropy) have sprouted up with a focus on developing measures of effectiveness and promoting practices of effectiveness across the sector. The concerns about effectiveness in the sector grew out of questions raised about foundations' contribution to society and threats of stricter government regulations following a string of media reports of corruption (Frumkin, 2005). In 1994, program evaluation scholar Micheal Scriven criticized foundations for committing what he calls the "do-gooder fallacy", that is, foundations basing their work solely on charity and blindly assuming good works without evidence. In a 2003 article on philanthropic accountability, the question is posed, "Why wouldn't we just as well fly over in a helicopter and throw money out of the window" (Hoff, 2003)? This question and Scriven's depiction of foundations are indicative of the concerns of the public and elected officials about the worth of foundations and their ability to generate social benefit. This research is practically relevant to the organizations and philanthropic leaders that are expending substantial resources to overcome the "do-gooder fallacy" by enhancing the effectiveness of foundations, including Grantmakers for Effective Organizations, the Morino Institute and the Center for Effective Philanthropy. With knowledge of factors that serve as barriers to adoption, these individuals and organizations can refine their strategies to better suit the reality of foundation adoptive behavior. On a public policy level, this study is a response to "one size fits all" prescriptions of regulatory policies aimed at increasing the accountability of the philanthropic sector. An awareness of the diversity of characteristics influencing foundation adoptive behavior can potentially lead to policies to improve foundation accountability for which compliance is neither burdensome nor unreasonable. National

policies directing foundations to produce documents and implement practices in the name of accountability imply massive change in the structure and operations of thousands of organizations. Whether such policies can proceed quickly enough to meet public demands for accountability depends largely on philanthropic foundations' ability to respond.

In the following chapter, I describe the current state of the literature on foundation behavior and present the theoretical framework guiding this study. In Chapter three, I describe, in greater detail, the four effectiveness best practices that are the focus of this study. I begin to lay out the conceptual and empirical framework for this study in the fourth chapter and in the fifth chapter I describe the data and measures used in the analyses. The findings are described in the sixth chapter followed by a discussion of the findings in chapter seven and conclusions and policy implications in the final chapter.

## CHAPTER 2

### LITERATURE REVIEW AND THEORETICAL OVERVIEW

#### **2.1 The Organizational Behavior of Foundations**

We are far from a theory of foundation behavior. Foundation behavior has not yet been thoroughly investigated. Until recently, the ways that foundations are managed and the ways that they behave have been largely ignored by philanthropy scholars. Even among organizational scholars, foundations represent what Anheier and Toepler (1999) describe as “uncharted territory”. In general, foundations have not received a high level of research interest. Although the literature on foundations in the U.S. dates back to the early 1900s, much of the research is historical in nature and is focused on a small number of large foundations (Rabinowitz, 1990; Lagemann, 1992). Consequently, the field lacks a rich body of knowledge on foundations and their activities (Diaz, 2001). There is, however, a body of research on foundations that is beginning to expand as data on foundations become more readily available. In more recent years, the work of industry organizations like the Foundation Center, the Council on Foundations and the various academic institutions specializing in nonprofit and foundation research is advancing an understanding of macro-level trends and practices in the field. These organizations have paid less attention to the micro-level of foundations, that is, the complexity of how foundations operate, how they are managed and how they behave. Nonetheless, there is growing interest among philanthropy scholars in understanding foundation behavior. Since the early 1990s, a few studies have been published that focus on this area of study. In 1996, Diaz published an organizational analysis of the Ford Foundation using a case

study application of three organizational models: the rational actor model, the bureaucratic politics model and the organizational process model. In 1999, he extended the same analysis to three large foundations. In the end, Diaz concluded that foundations are subject to the same forces affecting other types of organizations; their behavior is constrained by history, resources, competing interests and the outside environment. Bernholz (1999) argues a similar point. She portrays the factors influencing foundations as a complex web of external and internal factors. In Bernholz's model of foundation behavior, there is an innermost layer that reflects the factors within the foundation, a second layer that encompasses the factors that result from and affect a community of foundations and a third layer that includes factors outside in the larger environment like public policy and public opinion. Both Diaz and Bernholz have been explicit about advancing a theory of foundation behavior that draws from the application of organization theories on foundations. Their work has been less empirical in nature and more focused on developing a conceptual understanding of foundation behavior. Other, more recent scholarly articles have pursued an empirical analysis of foundation organizational behavior. Aksartova (2003) used neoinstitutional theory to argue that legitimacy concerns underlie foundations' funding decisions by analyzing grants directed toward peace-building organizations from 1988 through 1996. Guo and Brown (2006) studied the impact of organizational and environmental characteristics on the performance of community foundations using an organizational ecology perspective. Finally, Boris et al. (2006) conducted an analysis of how operating characteristics influence foundation spending. These studies lend evidence to the role of organizational factors like staff size, asset size, age and geographic service on foundation behavior.

While these studies have been instrumental in developing a richer understanding of factors that influence the ways in which foundations behave, there is a lot yet to be understood about the motivations and responses of foundations.

## **2.2 Roles and Practices of Foundations**

Foundations are complex institutions whose decisions have direct implications for the nonprofit organizations that receive their funds and the members of society who are the beneficiaries of their grants. In the U.S. social structure, foundations are unique organizations. They serve as more than just the purse strings for nonprofit organizations, they are drivers of cultural, social and economic change both nationally and internationally. Although the primary function of foundations is to make grants to nonprofit organizations for the benefit of the social good, foundations operate in other areas beyond grantmaking. Foundations are instrumental in developing and spreading ideas by financing studies and conferences specifically designed to develop and disseminate ideas (Holcombe, 2000). Many foundations are also engaged in the public policymaking process. Foundations work to shape policies in multiple ways including: using the influence of their boards, molding elite public opinion, creating demonstration projects, using their funds to strategically leverage public funds and through direct legislative lobbying (Smith, 2002).

Beyond their unique role in society, foundations have an accountability structure that is different from all other types of organizations. Foundations are, in many ways, insulated from market pressures and most other forms of accountability (Leviton & Bass, 2004). Unlike private firms and government where legal standing is given to

stockholders, customers, voters and legislators to demand accountability, foundations are only legally accountable to their governing board and the attorney general who serves as representative of the general public (Hall, 2004).

In addition to their distinct accountability arrangement, foundations have an organizational structure that differs from government and private organizations. Although foundations are most often portrayed as autonomous and independent organizations, like all other organizations, they are governed by federal and state law. Foundation activities are primarily regulated by the Internal Revenue Service. From an organizational standpoint, the tax laws have been instrumental in defining foundation structures, establishing reporting requirements and regulating activity. The Internal Revenue Service characterizes foundations in two major categories, public and private, based on the number of funding sources. For an organization to be designated as a private foundation in the United States it must meet the following criteria: it must be established as a nonprofit and nongovernmental organization; it must receive funds or have an endowment from a family, individual or a for-profit company; it must be managed by its own trustees or directors; it must be established to aid educational, social, religious, or other charitable activities serving the public welfare; and it must award grants (The Foundation Center, 2005). Private foundations are sub-categorized into three types based on how they operate- independent foundation, corporate foundation and operating foundation. Independent foundations represent the largest segment of the private foundation universe; this category includes family foundations. A corporate foundation has the distinct feature of having close ties to the corporation that provides the funds.

While an operating foundation uses its resources to conduct research or provide a direct service.

All private grantmaking foundations are required by the IRS to pay out at least five percent of their assets in the form of grants each year (except operating foundations which are required to pay either 4.25% of their assets or 85% of their net income from investments). Other IRS regulations include a requirement that foundations pay a one to two percent excise tax on the income generated from their endowments. Private foundations are also required to file Form 990-PF each year which includes information on foundations' officers, assets and grants. Many of the current foundation regulations are the result of the Tax Reform Act of 1969 which was enacted after controversy over foundations in the 1950s.

Public foundations, in contrast, are held to less stringent regulations. Foundations are considered public if they receive funds from multiple sources. Since public foundations have multiple donors they are perceived to be more publicly accountable, hence the lower level of government regulation, compared to private foundations. There are two types of public foundations. The first type is a grantmaking public charity, which are distinct in that they raise money from different sources to support their grantmaking activities, which is primarily focused on a single issue or population. The second type of public foundation is a community foundation. Community foundations are a subgroup of grantmaking public charities that serve a specific geographic area. Unlike private foundations, public foundations are required to file the same form as nonprofit organizations, IRS Form 990, each year, which does not probe into their grantmaking practices. Across all of the various types of foundations there are certain activities that

are prohibited by law. Foundations are not allowed to expend resources for the direct benefit of those who have a relationship with the foundation and secondly, foundations are restricted from engaging in certain types of political and public activities.

Not only are foundations structured in many different ways, the actions and behaviors in which they engage vary widely. This is expressed in the adage that once you've seen one foundation, you've seen one foundation. Even the most fundamental foundation practice, grantmaking, is expressed in varied forms. Foundations have full discretion over the types of nonprofit organizations they support. They also control the amount, frequency and type of grant they make. Grants can be distributed in the form of single or multiple year grants for a variety of purposes including operating, capital or program expenses. The processes for making grant decisions, distributing grants and overseeing programs also comes in many different fashions across the foundation landscape. Young (2001) created a typology that organizes foundation activities into four general categories. The first category, which represents the majority of foundations, is what Young terms the genial altruist. These are foundations that uphold the traditional philanthropy model of broadly defining an area of interest and accepting proposals from interested organizations to consider funding. The second category portrays foundations using a corporate model, Young calls this type the mission-driven corporation. Foundations in this group have more focused grantmaking than the genial altruist foundations and tend to operate through strategic initiatives. The third category consists of foundations that claim responsibility for catalyzing and coordinating a larger social effort to address particular social problems, these foundations are labeled problem-solving catalysts. Like the mission-driven corporate foundations, foundations in the



problem-solving catalyst category hire expert staff and focus their grantmaking on strategic areas of interests. The final category of foundations is the venture capitalist. This is an emerging form of philanthropy where funders view themselves as investors in social investment projects. This set of foundations is highly engaged in the activities of the organizations it funds and is focused on maximizing social benefit. Young's typology effectively demonstrates the range of approaches foundations take to achieve their missions.

Through this brief description of the various types of foundations with their unique accountability structure and their broad range of practices, two points are made evident. The first is that foundations are different from all other organizations in the current U.S. social structure. They are established through special tax provisions in support of charitable activities and (in the case of private foundations) self-financed. The second is that, although different, foundations resemble other types of organizations in several important ways, (1) like all other organizations they are regulated by government and (2) like private and nonprofit organizations they have a governing board that has influence over the mission and operations of the organization. The differences between foundations and other types of organizations supports the case for developing a theory of organization behavior that is specific to foundations, however, the similarities between foundations and other types of organizations suggest that organizational theories (developed through applications to private, nonprofit and government organizations) may be relevant toward the development of a theory of foundation behavior.

### **2.3 Factors Influencing Foundation Adoptive Behavior- Theoretical Overview**

Building toward a theory of foundation behavior, I apply two organization theories to the context of foundations to understand foundation adoptive behavior. There are several organization theories that focus on adoptive behavior that could have been chosen for this study, however, the particular orientation of this study toward an organizational level of analysis, made the organizational innovativeness model the most appropriate choice<sup>1</sup>. Figure 1 illustrates a comparison of the various organization theories that focus on adoption (Wolfe, 1994). The most renowned model is the diffusion model, which focuses on the spread of adoption. In contrast, the organizational innovativeness model, used in this study, focuses on the antecedents of adoption within an organization. Specifically, it identifies an array of organizational, personal and environmental factors that drive organizations to adopt practices (which in the model are commonly referred to as innovations<sup>2</sup>). The organizational innovativeness model emphasizes the influence that the structural attributes of organizations, the attributes of organization leaders, and the attributes of the context in which an organization operates have on the adoptive behavior of organizations (Damanpour, 1991).

---

<sup>1</sup> The focus on the organization as the unit of analysis also made other related organization theories like the neoinstitutional and population ecology theories, which focus on the influence of organizational and environmental conditions on organizations, inappropriate because they focus primarily on the population level.

<sup>2</sup> A common misconception around using the term innovation to describe a practice is that it must be new. An innovation is defined as an idea, process, or product that is new to the adopting organization (Damanpour, 1991; Kimberly & Evanisko, 1981; Steele, 1997; Nord & Tucker, 1987); a practice does not have to be newly created to be considered an innovation.

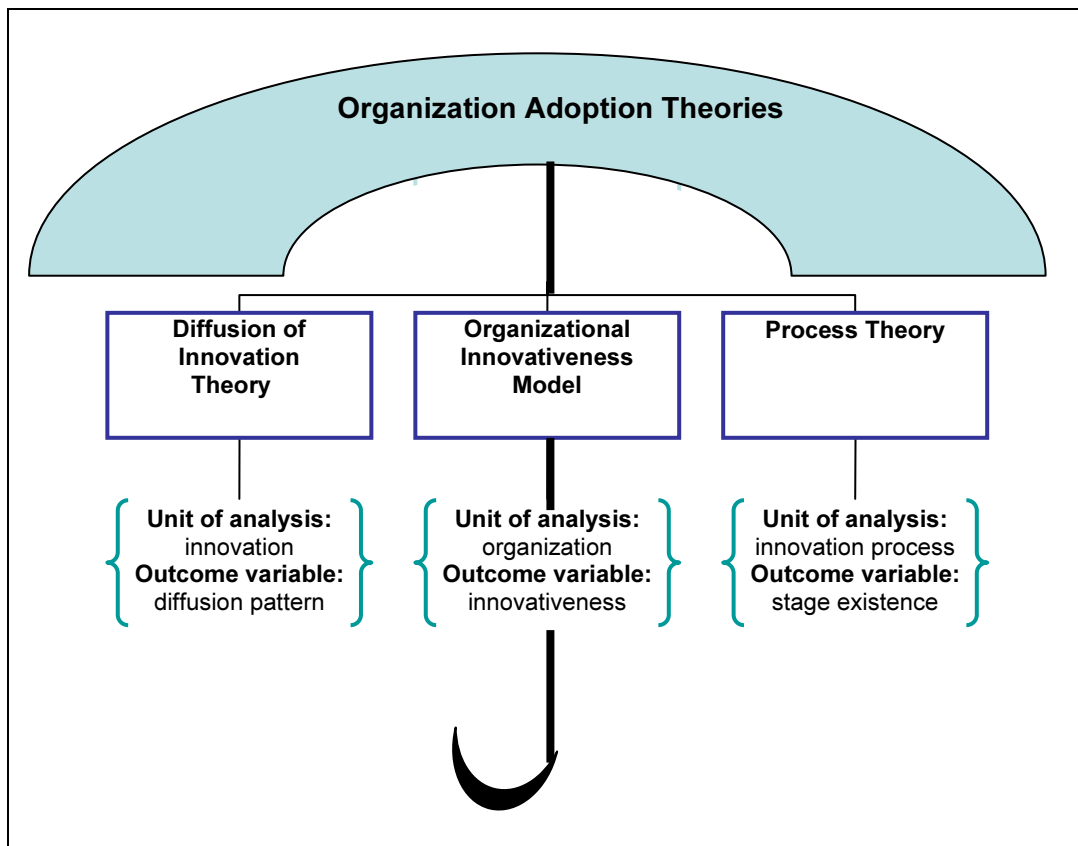


Figure 1. Comparison of Organization Adoption Theories

## 2.4 Organizational Innovativeness Model

Volumes of empirical research have been conducted to build the organizational innovativeness model (Damanpour, 1991; Wolfe, 1994). Tornatzky & Flesicher (1990) observed that adoption cannot be understood without careful attention to the personal, organizational, and environmental contexts in which it takes place. The vast literature confirms this with evidence from both public and private organizations (Kimberly & Evanisko, 1981). Examples of the organizational and environmental determinants from previous organizational innovativeness studies are described below.

### 2.4.1 Organizational characteristics

Organizational characteristics have long been recognized as stimulants of innovation adoption (Kelly & Kranzberg, 1978). Three types of organizational characteristics have been shown to influence organizational adoption of innovations: organization size, organization age and organization structure (Baldrige & Burnham, 1975; Zaltman et al., 1973). Size has repeatedly been found to influence the propensity to adopt. However, the empirical results on size are mixed. Usually, size is found to be positively related to innovation adoption. One justification is that larger organizations feel a greater need to adopt innovations in order to support and improve their performance. Others argue that smaller organizations are more flexible and innovative, resulting in an enhanced receptiveness towards new products. Age is another structural constraint on strategic action. Most researchers have found that organizations just starting out may not have the resources needed to innovate. However, younger organizations are also seen as more agile, with a greater ability to change. In different cases, organizational structure has been found to either facilitate or inhibit innovation. In a review of the literature, Damanpour (1991) found that more formalized and centralized organizations are less likely to initiate innovation adoption decisions, but are better equipped to implement an innovation. The opposite holds for organizations that are highly complex or specialized.

#### 2.4.2 Contextual Characteristics

The organizational environment encompasses cultural and social patterns external to the organization. The importance of the organization's environmental context for innovation has been acknowledged conceptually, but rarely examined empirically

(Kimberly & Evanisko, 1981). Variables that have been used to analyze environmental characteristics include the level of competition and the size of the city.

## **2.5 Organizational Strategy Model**

While the organizational innovativeness model provides a useful framework for understanding the adoptive behavior of foundations, it does not explicitly connect an organization's current practice or prior decisions to the decision to adopt a new practice. Commonly, foundation leaders make decisions based on history (the way things have always been done) or based on the purposes expressed by the founding donor (Dowie, 2001). To add this perspective to the current study, I include the organizational strategy model in the theoretical framework. In the organizational strategy model this concept of history in decision-making is referred to as organizational inertia. Miles and Snow (1978) argue that once a particular strategy or approach is adopted it either constrains or favors future choices. In other words, current practice directs an organization down a particular path which can exclude certain options or choices.

Strategy, in the organizational strategy model, refers to the alignment of organizational practices with an organization's strategic focus and purpose (Moore, 2000; Boeker, 1989; Hambrick, 1983). From a strategy perspective, a practice is adopted into an organization if it aligns with the organization's purposes. A 2006 study of community foundations by Graddy and Morgan utilized an organizational strategy perspective to examine the factors influencing the strategic choice of this group of foundations. Their study highlighted the role of founding principles on the current activity of community

foundations in California. Using an organizational strategy lens in this study, I expect foundation adoptive behavior to be influenced by foundations' current practice.

## **2.6 Overall Theoretical Framework**

To summarize, this study is theoretically guided by the organizational innovativeness and the organizational strategy models. Together, these models highlight a set of organizational and contextual factors that influence adoption decisions. In this study, I empirically test the extent to which these types of factors are useful for explaining foundation adoptive behavior. This study offers an opportunity to build toward a theory of foundation behavior through the application of two well tested and complementary theoretical perspectives.

## CHAPTER 3

### DESCRIPTION OF THE EFFECTIVENESS BEST PRACTICES

Formal evaluation, knowledge management, leadership development and general operating grant support are the effectiveness best practices that are at the center of this study (Leviton & Bass, 2004; National Committee for Responsive Philanthropy, 2003; Geofunders, 2005). This chapter includes a brief description of each practice. Other best practices of effectiveness, not included in this study, include: strategic planning, staff development, effectiveness self-assessments, and funding program related investments (Ostrower, 2004). The four best practices that are included in this study were chosen because they are featured by Grantmakers for Effective Organizations (GEO). GEO is a thought leader in the area of effective philanthropy. GEO was initially created as an affiliate affinity group of the Council of Foundations by members of the David and Lucile Packard Foundation, the James Irvine Foundation and the Ewing Marion Kauffman Foundation (The Foundation Center, 2005). Today, GEO is a nonprofit organization based in Washington D.C. with hundreds of member organizations. The organization has a stated mission to maximize philanthropy's impact by advancing the effectiveness of grantmakers and their grantees. To meet its objectives, GEO sponsors research on foundation effectiveness, hosts an annual meeting of its members, hosts symposia and meeting opportunities throughout the year for members to connect, and maintains a website with tools and information on effectiveness best practices. Other organizations advancing research on foundation effectiveness and related practices are

the Center for Effective Philanthropy, the Morino Institute and the National Committee for Responsive Philanthropy.

Capek and Mead (2006) provide a concrete definition of effective philanthropy, they add:

Effective philanthropy is philanthropy that has impact. It is philanthropy that succeeds at amassing, managing, then allocating financial and human resources in ways that have the greatest positive impact in the sectors that foundations choose to fund. To allocate resources effectively, foundations must have vision and strategies for their grant making that allow them to analyze issues and concerns they want to influence, identifying both challenges and potential resources. They must be able to find the nonprofit organizations most likely to produce the results they intend. They must be able to structure their grants in ways that will be most useful to their grantees. And they must evaluate what they do to ensure they are having the intended impacts.

The potential role for each of the four practices in advancing effectiveness is illustrated in Capek and Mead's definition of effective philanthropy. Evaluation is explicitly stated as a tool for measuring the impact of a grant or program. A knowledge management system is useful for assisting foundations in analyzing issues and making grant allocation decisions. The provision of leadership development support and general operating grants are both ways in which foundations support nonprofits to achieve their intended results.

### **3.1 Evaluation**

Evaluation is a tool to assess the performance of a program or project funded by a grant. Formal evaluation is characterized as a "best practice" of effective philanthropy because of its potential for improving nonprofit performance and foundation grantmaking practice. Program evaluation encompasses a wide range of practices in the philanthropic sector from grantee brief self-report of performance at the end of a grant to highly



sophisticated academic studies of impact. Evaluation has a long history in philanthropy. Evaluation has been practiced by foundations since the 1960s when it was introduced in the public sector for the assessment of social programs (Hall, 2004). During the period following the Tax Reform Act of 1969 foundations (mainly large foundations) adopted evaluation as a way to assess the impact of their grant making and to demonstrate their effectiveness to regulatory bodies (Frumkin, 2005). By the 1980s evaluation (or at least the rhetoric of evaluation) was widespread throughout the philanthropic sector, in large part because of the advocacy of the major philanthropy trade groups, the Council on Foundations and the Independent Sector. These organizations touted evaluation as a tool to demonstrate the value of foundation activity to society. Between the mid-1980s to mid-1990s foundations' interest in evaluation declined (Saidel, 1992). The costs associated with evaluating multiple grants became a barrier to evaluation utilization. In a period in which foundations were experiencing decline in their investments, evaluation was seen as subtracting away from needed program resources. The late 1990s ushered in renewed interest in evaluation among foundations. Hall (2004) points to the professionalization of the nonprofit sector, the advances in evaluation research and the increase in the number of foundations entering the sector as reasons for the growth in evaluation interest over this period. According to Patrizi & McMullan (1998), the number of full-time evaluation directors in foundations has at least doubled in the last 10 years, that is, approximately two percent of the largest foundations have evaluation directors on staff.

Several factors contribute to the appeal of evaluation activities in philanthropic foundations. The growing complexity of grant initiatives, the increase in the number of nonprofits, the variability of nonprofit performance, and the increased demands on

foundations to demonstrate their accountability makes evaluation an attractive practice for foundations. Evaluation results can assist foundations by reducing the uncertainty they may have about the investment in a particular strategy or program, correct their assumptions about societal needs, and provide a rationale for the renewal of funding (Leviton & Bass, 2004). Although evaluation has utility for foundations in helping them understand the operations and outcomes of programs, foundations' overall use of evaluation is relatively low (Wisely, 2002). Despite its appeal, there are several barriers to the adoption of evaluation. Evaluations are often expensive and they require a high level of expertise, especially when a foundation is assessing the effectiveness of multiple programs, which can be a barrier to foundations with smaller assets. Patrizi & McMullan (1998) found that foundation leaders expressed dissatisfaction with evaluation because the results often came too late in the grantmaking process to be useful and the questions addressed in evaluations did not provide the type of information that program officers required.

### **3.2 Knowledge Management**

Knowledge management is a practice that is directly linked to improving foundation grantmaking practice. Knowledge management (KM) refers to a system or process of storing data and publications through which foundations generate value from their knowledge or information (Scarbrough & Swan, 2001). It is essentially a process of cataloging, organizing, summarizing, storing and presenting organizational knowledge. KM grew out of the private sector as a necessary tool for learning organizations. As an organizational construct KM was made popular among private organizations throughout

the 1990s in response to concerns about the aging of the baby-boomers and the increase in outsourcing (Levinson, 2005). This practice was brought into the philanthropic sector following its rise in the private sector. Its utility in the philanthropic sector was spurred by the framing of knowledge as a “philanthropic resource” (Bernholz, 2001). In addition to their financial largesse, foundations are said to possess a vast amount of data on social trends, community change and organizational behavior that can be an organizational and community asset. Although foundations have always had this asset, the strategic and systematic adoption of a system that integrates information, social interaction and technology adaptations to leverage knowledge at the sector level is a relatively new phenomenon in philanthropy. Bernholz (2001) has created the term “knowledge foundation” to represent the set of foundations that view knowledge as a distinct resource and strategically develops a system to use that knowledge toward the achievement of its mission. Since the recent introduction of KM into the sector, foundations have embraced several practices including the development of listservs, intranet systems, website and large efforts like KnowledgePlex by the Fannie Mae Foundation and Knowledgebase by the W.K. Kellogg Foundation (Enright, 2003).

Ann Christen, COO of the Charles and Helen Schwab Foundation has said that “knowledge management is the most effective tool we have found for achieving accountability for our performance” (Culwell et al., 2004). KM facilitates learning by allowing the information that is generated through daily practice to be accessible and available for everyone in the organization. It provides a mechanism through which foundations can learn from past grants to improve their grantmaking to achieve results.

Culwell et al. (2004) also see KM as a mechanism through which foundations can leverage other resources and strengthen community connections.

Despite the potential for KM in the philanthropic sector, foundation leaders find it difficult to adopt or develop a knowledge management system. Foundation leaders have raised concerns that the cycle and pace of foundation work makes it difficult to find the time to reflect, codify and capture information and that the development of a KM system requires a huge investment in technology and expertise (Woodwell, 2004). These issues serve as potential barriers to the adoption of knowledge management.

### **3.3 Leadership Development**

Leadership development is a human and organizational capital investment. According to the Center for Creative Leadership, leadership development is the expansion of an organization's capacity to enact the basic leadership tasks needed for collective work (Hubbard, 2005). As a philanthropic strategy, leadership development emerged from the recognition that a leadership gap exists in the nonprofit sector. It is estimated that starting in 2016 nonprofit organizations will require 78,000 new leaders each year because of the growth in the sector and the aging of the current leadership (Tierney, 2006; Enright, 2006). Strategies to support leaders and develop leadership skills have included learning circles, networking opportunities, coaching, mentoring, executive transition consulting sessions, 360 degree feedback programs, sabbaticals and reflective journaling. However, some argue that the root of the leadership "crisis" in the sector is that nonprofits tend to under-invest in staff retention and development because they lack flexible funding to support those activities (Bell & Wolford, 2006).

Foundation funding for leadership development is highlighted as a best practice in the foundation literature. Since foundation effectiveness is inextricably connected to nonprofit performance, Enright (2006) concludes that it is imperative for foundations to invest in nonprofit leadership. Although the empirical evidence supporting the connection between leadership development and organization performance is mixed (Jaskyte, 2004), it is generally held that effective leaders create positive organization cultures, strengthen motivations and clarify mission and organization objectives (Ingraham & Getha-Taylor, 2004).

In general, foundation leaders are supportive of leadership development programs to improve the leadership in the organizations they support and to address the sector level leadership gap. Some barriers to funding leadership development, expressed by foundation leaders, are (1) fear that investment in leaders would be wasteful since the leaders will eventually leave the organizations, (2) lack of research exhibiting effective approaches for foundations to invest in leadership and (3) difficulties in measuring and evaluating leadership development programs (Hubbard, 2005).

### **3.4 General Operating Grants**

Like leadership development, general operating grants indirectly improve foundation effectiveness by improving nonprofit performance. Foundation support for general operating grants is considered an effective philanthropic practice because it is an investment in the nonprofit infrastructure. With general operating grants, nonprofit organizations are able to support the day to day personnel and administrative expenses like office space, salaries, computers and clerical work. Nonprofit leaders often complain

about the struggles they face to build capacity and infrastructure (Council on Foundations, 2002). Recent studies suggest that a lack of flexible spending undermines the effectiveness of nonprofits and leads to the undercapitalization of the sector (National Committee for Responsive Philanthropy, 2003). According to the Foundation Center (2006) the percentage of foundation grant funds for operating support grew from 13.7% in 1998 to 21.8% in 2003. Still, many foundations have resisted making such grants—or at least resisted allocating large shares of their grant dollars toward operating grants, especially in times of slow economic growth. There is a deep, historical preference among grantmakers for supporting program restricted grants rather than operating grants because it is easier to connect program results to foundation missions, thereby allowing for a more direct evaluative link between funding and program results. For this reason, it is also the case that foundation board members generally show more support for program grants (Huang & Buteau, 2006).

### **3.5 Comparison of Effectiveness Best Practices**

To further describe the effectiveness best practices in this study, I compare them according to the degree of expertise required to adopt the practice, the category of funding that is typically used when implementing the practice and whether the practice is intended to improve foundation effectiveness directly by influencing foundation grantmaking or indirectly by improving nonprofit performance. The comparison of foundations across these four dimensions is summarized in table 1 below.

In terms of the level of expertise required to adopt a practice, supporting leadership development and providing grants in the form of general operating grants do

not require specialized skills while formal evaluation and knowledge management require medium to high levels of expertise. Leadership development involves grantmaking toward a specific purpose and a general operating grant is simply a specific type of grant. Since they both fall within foundation grantmaking, it is reasonable to assume that they do not require foundation staff (or trustees) to have any specialized training. Formal evaluation and knowledge management, however, both require some sort of training. For evaluation that training might be in areas of measurement and research design and in the case of knowledge management the training may be as simple as learning new software. The need for specialized training or expertise may serve as an additional barrier to the adoption of evaluation and knowledge management.

Another difference across the four best practices is the fund category through which the practices (if adopted) could be supported. Foundation spending broadly falls within two categories, administrative and program spending. Recent inquiries into administrative spending in the philanthropic sector have motivated foundations to minimize the amount they allocate toward administrative expenses (Boris, Renz, et al., 2006). Foundations may consider best practices that increase administrative expenditures less attractive than practices that fall within their program budgets. Among the four best practices in this study, leadership development and general operating grants can clearly be considered program expenses (since they are grants), evaluation and knowledge management could potentially be considered program or administrative expenses. For example, some foundations choose to include a budget for evaluation within their grants to grantees while others hire staff or consultants to conduct evaluations of their grantees' performance.

Another dimension that differentiates the four practices is whether a practice is intended to improve foundation effectiveness directly by influencing foundation grantmaking or indirectly by improving nonprofit performance. Both leadership development and general operating grant adoption indirectly improve foundation effectiveness by improving nonprofit performance. Formal evaluation can directly improve foundation effectiveness by providing information that shapes foundation grantmaking. Knowledge management (KM) can also improve foundation effectiveness directly by assisting a foundation in learning from and sharing information about what works.

Table 1. Comparison of Effectiveness Best Practices

	<b>Support Leadership Development</b>	<b>Support Operating Grants</b>	<b>Formal Evaluation</b>	<b>Knowledge Management Activities</b>
<b>Specialized Staff/Consultants Required</b> (Low, Med., High)	Low	Low	Medium/High	Medium/High
<b>Fund Category</b> (Grantmaking/Administrative)	Grantmaking	Grantmaking	Administrative/ Grantmaking	Administrative/ Grantmaking
<b>Foundation Impact</b> (Direct or Indirect)	Indirect	Indirect	Direct	Direct

Through this comparative analysis it is clear that adoption of the effectiveness best practices may require different levels of investment of foundation resources and expertise. Previous studies of organizational innovativeness have identified a moderating effect of the innovation on the adoption decision due to the characteristics of the innovation, in particular, its compatibility with the norms and practices of the organization, its complexity, its perceived benefit and its adaptability to the organization



space (Greenhalgh et al., 2004). Therefore, it can be expected that differences across the effectiveness best practices may influence the relationship between organizational characteristics and adoption of effectiveness best practices. This is tested in the dissertation by conducting separate analyses on each of the four effectiveness best practices and comparing the relationship between the independent variables and adoption behavior in all of the models.

## CHAPTER 4

### RESEARCH QUESTION AND CONJECTURES

#### **4.1 Research Question**

This study analyzes the extent to which different organizational and environmental characteristics are indicators of foundation adoption of effectiveness best practices. The central research question of this dissertation, then, is “What is the relationship between organizational and environmental characteristics and the adoption of effectiveness best practices by philanthropic foundations?” Four factors are explored in this study – organizational capacity, organizational structure, operating environment and grantmaking orientation. In addition, the inclusion of four effectiveness best practices offers the opportunity to test the effect of practice type on adoption behavior. Recent studies of organizational innovativeness indicate that the type of practice to be adopted can influence the relationship between organizational characteristics and adoption (Damanpour, 1991; Steele, 1997). To address this issue, I compare the effects of organizational and environmental factors across the different effectiveness best practices to see if the effects vary across the models.

#### **4.2 Conjectures**

In this dissertation, I examine four factors (three organizational factors and one environmental factor) and their relationship to adoptive behavior. The factors and their related hypotheses were derived from previous research on the behavior of foundations

and nonprofit organizations and theoretical insights garnered from the organization innovativeness and organizational strategy models.

#### 4.2.1 Organizational Capacity

Organizational capacity refers to the resources, knowledge, and processes that are employed by an organization. These include: staffing, infrastructure, technology, financial resources, strategic leadership, program and process management, networks and linkages with other organizations and groups (Horton et al., 2003). The concept of organizational capacity is prevalent in nonprofit research, but is thought of mainly as an issue for nonprofits and not so much for foundations. Indeed, it is strange to think of foundations as having limited capacity. The image that is conjured up by the term foundation is that of an organization with deep pockets. However, foundation resources are limited by the return on their endowment investments and/or by the amount of funds raised, as is the case for public foundations. The issue of limited capacity among foundations is mainly a concern for foundations that are either small in staff or small in assets. In 2004, 64 percent of the nation's 68,000 foundations held assets of \$1 million or less. This group held only 2% of the sector's total assets. In the same year, only 8% of foundations with assets under \$5 million reported having staff positions compared to 77% of foundations with assets of \$100 million or more (Foundation Center, 2006). The Foundation Center reports that the majority of foundations do not have paid staff; their work is done by lawyers, bank trustees, and family members on a part-time basis (2006). This indicates that capacity may be an issue for the majority of U.S. foundations.

In addition to resource scarcity, the capacity of foundations is confounded by issues of resource allocation. The allocation of resources between organization building and production is a primary struggle within all organizations (Hannan, 1986). However, foundation leaders face a social-political climate that tends to view administrative expenses as waste (Billitteri, 2005). This limits the amount of resources that some foundations direct toward administration and organizational improvement, which has consequences for the actions they take toward improving their effectiveness.

Foundations with fewer resources or those with a preference toward minimal operating costs may find it more difficult to adopt effectiveness best practices. Organization innovation studies show overwhelming support for the influence of organization capacity on adoptive behavior. The broad literature on organizational innovativeness has established that size is a powerful predictor of adoption propensity (Rogers, 1995; Hage and Aiken, 1970; Cyert and March, 1963). Large organizations are more likely to have the “people power” necessary to implement a new practice (Sapat, 2004). Organization size<sup>3</sup> is often linked to financial resources in addition to staffing (Berry, 1994). Large foundations typically have abundant resources which enables them to adopt new practices in their organizations. In addition to slack resources, size has also been linked with organizational complexity with the idea that larger organizations have more complex structures which require them to utilize management innovations to coordinate the organization (Zaltman, Duncan, & Holbeck, 1973). Generally in philanthropic studies, foundation size (staff and assets) emerges as an important factor in determining foundation behavior in areas like operational efficiency (Boris, Renz, et al.,

---

<sup>3</sup> Although “size” is a structural characteristic of an organization, it is used in this study as it is generally used in studies of organizational innovation, as a measure of organizational capacity.

2006), organizational performance (Guo & Brown, 2006) and evaluative capacity (Conner et al., 2004). The Foundation Center (2005) reports evidence that suggests that foundation size is linked to foundation practice. In their tutorial on foundations, they report that larger foundations generally have funding interests that are limited to a few carefully defined subject areas while smaller foundations have giving interests across many fields that are generally a reflection of the donor's interests.

Total giving is also used as a proxy for organizational capacity in philanthropic studies. The relationship between total giving for charitable purposes and administrative spending makes it a relevant variable for this study of effective practice adoption. Sansing & Yetman (2006) reported that foundations with high levels of charitable spending also have high levels of administrative spending, a practice, they add, that reflects an interest in effective grantmaking. Based on this, I expect that the likelihood of effectiveness best practice adoption will increase as total giving increases.

**Hypothesis 1: Larger foundations, measured in terms of staff size, assets and total giving, are more likely to adopt effectiveness best practices than smaller foundations.**

Another variable often linked to capacity is the organization's age. Age is viewed in the organization innovativeness literature as a structural constraint on strategic action (Davis, 2003). The evidence for the impact of age on adoptive behavior is mixed. Studies have found that organizations just starting out may not have the resources needed to adopt practices; however, younger organizations are also seen as more agile, with a greater ability to change (Damanpour, 1991). Because support exists for both perspectives, the hypothesis that age is related to adoptive behavior will be tested with no prediction about the direction of the relationship.

**Hypothesis 2: The age of the foundation affects the likelihood of the foundation adopting the effectiveness best practices.**

Older and larger foundations that have accumulated resources and expertise over time may have the greatest capacity to adopt effectiveness practices. Therefore, I expect a positive interaction effect between foundation size and age in this study.

Additionally, there is speculation in writings on foundation effectiveness that a small group of foundations are championing the move toward effective philanthropy to establish the legitimacy of the sector and ward off congressional speculation (Frumkin, 2005). The foundations in this group are what I call the “face of philanthropy” foundations- the large, older, well established foundations whose names are practically household names- like the Ford, Kellogg and Carnegie Foundations. It was this group of foundations in the late 1960s, when foundations underwent a period of reform that led the sector in increasing its transparency. Frumkin (2005) argues that this same group is leading the current charge toward effectiveness and accountability in the sector. An example that supports Frumkin’s conjecture is the establishment of the leading foundation effectiveness promoting organization Grantmakers for Effective Organizations by large, older foundations- the David and Lucile Packard Foundation, the James Irvine Foundation and the Ewing Marion Kauffman Foundation. This is another reason to expect a positive interaction between foundation size and age.

**Hypothesis 3: There is a positive interaction effect between age and size on the propensity to adopt effectiveness best practices.**

Earlier in this chapter, I noted that the inclusion of four effectiveness best practices creates an opportunity to compare the effects of the organizational and

environmental factors highlighted in this study across the different models. The comparison across models is intended to test the extent to which the type of practice to be adopted influences adoption behavior. Organizational innovativeness studies have found that the type of practice can influence the relationship between organizational characteristics and adoption (Damanpour, 1991; Steele, 1997). Because the effectiveness best practices vary in the amount and degree of organizational finances, time and expertise required for adoption, I expect that the effect of organizational capacity on adoption will vary across the best practice models.

**Hypothesis 4: Effectiveness best practices requiring higher levels of administrative investments by foundations (evaluation and knowledge management) will be influenced more by organizational capacity than effectiveness best practices that require less administrative investment at the foundation level (leadership development and general operating grants).**

#### 4.2.2 Organizational Structure

Organizational structure refers to the ways that an organization is organized in terms of governance, management and operations. The organizational structure is an internal factor that influences the direction of the organization. In philanthropic studies, the major structural categorization of foundations is by foundation type. Foundations are legally designated as either independent, corporate, community or operating foundations. This designation imposes certain restrictions on the activity and structural characteristics of foundations which results in different governance, funding and operating structures.

The most common type of foundation is a private foundation, a category which includes independent, corporate and family foundations. This category reflects the funding mechanism through which the foundation was established. The foundation's

financial assets create a principal that is invested and income from the endowment is paid out annually to charity. Private foundations are required by law to pay out annual grants and other qualifying distributions totaling a minimum of five percent of the fair market value of their assets except in the occasion that the foundation is acting as a pass-through foundation where the total annual contribution is expended each year. Although independent, family and corporate foundations all fall under the private foundation category and are subject to the same regulations their organizational structures differ considerably owing to the variations in the source of their funds. Independent foundations derive their funds from an individual or family. The level of donor involvement in independent foundations is minimal. The principal activity of independent foundations is grantmaking; however, they may also operate through foundation-administered programs and program-related investments. Independent foundations represent the majority of U.S. foundations. In 2005, 89% of the 68,000 foundations were independent foundations (Independent Sector, 2006). Family<sup>4</sup> foundations are a particular class of independent foundations where the funding source is a family and the family is involved on the governing board and in the foundation's operations. In 2004, approximately 33,000 independent foundations were identified as family foundations (Independent Sector, 2006). Corporate foundations are connected to the companies that provide their funds. In many cases, the staff members for corporate foundations are supplied directly from the corporation and the governing board is composed of leaders and board members affiliated with the corporation (Boris et al., 2006).

---

<sup>4</sup> The term "family foundation" is not a classification given by the IRS. The Foundation Center uses a number of subjective and objective criteria to identify family foundations including: self-report in the Foundation Center's annual survey by the foundation, the inclusion of the word "family" in the foundation name, and at least two trustees with the same surname as a living or deceased trustee.



In contrast to private foundations, public foundations receive funding from numerous sources and must continue to seek money from diverse sources in order to retain their status as public charities. The most common form of public foundations is community foundations, representing one percent of all foundations. Community foundations are publicly supported grantmaking foundations that receive funds from many donors. The board of directors for a community foundation is selected to represent the community interest and to share their deep understanding of the community. The grantmaking of community foundations is typically more geographically constrained than other types of foundations. They make grants to charitable organizations within their designated geographic area be it city, county, state, or other geographic region, although they typically serve areas no larger than a state. In addition to their grantmaking, community foundations spend a considerable amount of time fundraising and managing the assets of their component funds. Community foundations provide an array of services to donors who wish to establish endowed funds without incurring the administrative and legal costs of starting an individual foundation. Due to the public nature of community foundations, they are considered public charities and as such are not subject to the same regulatory requirements as private foundations, most notably the five percent payout requirement.

According to the Foundation Center (2006), family foundations were most likely to give towards programming but also favor operating grants. Ostrower (2004) found that family foundations were less likely than others to solicit grantee feedback. She also found that community foundations were most likely to publish an annual report (an indicator of transparency) than all other types of foundations while family foundations were the least

likely. However, community foundations were most likely, compared to other foundations, to give general operating support (Foundation Center, 2006). In Ostrower's report, she also found that community foundations were more likely to say that they monitor grants through their ongoing involvement in their community. Community foundations are in the enviable position of being close to the communities they serve and having access to an extensive amount of information about the activities of local nonprofits and community organizations. Because of their public status, effectiveness means something quite different for community foundations than independent foundations (Ostrower, 2006). Given the differences in practice and attitude highlighted in previous studies, I expect that the adoption of effectiveness will also differ according to the different categories of foundation type.

In studies of nonprofit organizations, the presence of business people and professionals has been described as a major factor in nonprofit behavior (Stone, 1996; Stone et al., 2001). Since corporate foundations have close ties to the private sector, where measurement of results and management of information are emphasized, I expect that they will have a high probability of adopting evaluation and knowledge management systems. However, I do not expect that this infusion of private sector orientation will influence the adoption of the other two practices (leadership development and operating grants).

**Hypothesis 5: Corporate foundations are more likely to adopt evaluation and knowledge management than other types of foundations.**

Ostrower's findings about the different meanings ascribed to effectiveness by community foundations, the number of grants they make due to the large number of

donors and their close connections to the community lead me to believe that community foundations will be least likely to adopt formal evaluation systems as a way to gather information about their grant performance. Given previous findings from the Foundation Center about community foundations' high level of giving of general operating support I expect that to also be reflected in this sample.

**Hypothesis 6: Community foundations are more likely to adopt general operating support but least likely to adopt evaluation.**

Since Ostrower (2004) found that in many cases family foundations' grantmaking activity was driven by the values of the family members and that those values often served as a limitation on the foundation's ability to move toward an effectiveness agenda, I expect that family foundations will be less likely than other independent foundations to adopt all of the evaluation practices.

**Hypothesis 7: Family foundations are less likely than other independent foundations to adopt effectiveness best practices.**

**4.2.3 Operating Environment**

In the organization innovativeness model, the operating environment refers to the external environment in which the organization carries out its activities. This includes the administrative and legal systems in which the organization operates; the policies and political environment that influences the organization; the social and cultural milieu; the technology available; and economic trends (Horton et al., 2003). The empirical results for the influence of the environmental context on adoption are mixed. Kimberly and Evanisko (1981) found that the competitive environment around hospitals positively

influenced their adoption of innovations. However, Young et al. (2000) reported a negative relationship between hospital innovation adoption and a competitive environment. In their study of community foundation performance, Guo and Brown (2006) found that the number of other community foundations in the local environment had positive influences on a foundation's fiscal efficiency and negative influences on their grantmaking performance.

In this study I focus on the region in which a foundation operates to capture the environmental influences that are potentially the result of regional differences in philanthropic cultures or regional learning and information sharing among foundations. Differences in philanthropic cultures by regions are reflected in current data about the nature of foundations and their practice. According to the Foundation Center, there is a concentration of larger and older foundations in the northeast and midwest while the south and west have a greater concentration of corporate and community foundations. In 2004, the south experienced the fastest growth in the number of foundations and the largest percentage increase in assets. In the same year, the northeast continued to lead in terms of total foundation numbers and the west experienced the fastest growth in giving (Foundation Center, 2006). In addition to the regional demographic differences among foundations, Ostrower (2004) found regional differences in foundation leaders' attitudes concerning effectiveness and their adopted practices. Foundations in the west were more likely to publish annual reports and to conduct strategic planning than foundations in other regions. Southern foundations were least likely to say that measurable outcomes were important. I expect these differences in attitude and practice to be reflected in adoption of effectiveness best practices.

**Hypothesis 8: Foundations in the West are more likely to adopt effectiveness best practices.**

**Hypothesis 9: Foundations in the South are the least likely to adopt effectiveness best practices.**

#### 4.2.4 Grantmaking Orientation

In this study, a foundation's grantmaking orientation is defined as the strategic direction of the foundation as determined by its current grantmaking practice.

Foundations vary tremendously in their grantmaking preferences. This is often expressed in the geography a foundation selects to give within and it is also expressed in the choice of causes a foundation chooses to support. It is also the case that foundations have different motivations for giving. Young's (2001) typology of foundations demonstrates the range of foundation motivations from the traditional altruistic model to new models like problem solving catalysts, foundations that are motivated to catalyze and coordinate a larger social effort to address social problems. As such, foundation grantmaking practice varies across foundations. From an organizational strategy perspective, the current practice in a foundation creates organizational inertia. Miles and Snow (1978) describe the relationship between organizational inertia and adoption behavior, they add, once a particular strategy or approach is adopted it either constrains or promotes future choices. Ostrower (2006) offers a similar perspective on foundations. She notes that the particular strategic framework that a foundation operates in has profound consequences for the individual practices that it values and adopts. I include three variables in this study to capture foundation grantmaking orientation: the geographic focus of giving, the

number of sectors across which grants are spread and the foundation's role as a problem solving catalyst.

#### *4.2.4.1 Geographic Focus*

Foundation giving spans multiple geographies. Foundations give as locally as the neighborhood level and as broad as the international level, with many giving across some range of geographies. Overall, the majority of U.S. foundations tend to give locally (Foundation Center, 2006). Previous foundation research suggests a link between geographic focus and foundation organizational behavior. Boris et al. (2006) found that foundation behavior, in the area of administrative spending, is significantly influenced by the geography of giving. In general, foundation expense ratios increased with the geographic scope of grantmaking. Foundations that gave internationally incurred higher costs than those that limited their giving to the local or national level. These higher expenses, they argue, are associated with conducting due diligence on non-U.S. applicants and grantees. Guo & Brown (2006) found similar patterns. They note that foundations with a wide geographic focus perform differently than foundations with a more limited geographic scope. This is largely due to the relationships that local funders are able to have with their grantees due to their close proximity. I suspect that because of their proximity, local funders (as is the case with community foundations) may be more inclined to rely on their local knowledge to guide their grantmaking and therefore less willing to adopt evaluation to assess the effectiveness of their grants. However, I think their connection to the community would make them more aware and responsive to the needs of the nonprofits and community based organizations they fund such that they may

be more willing to shape their effectiveness agenda around practices that improve nonprofit performance like leadership development and operating grants. In addition, I suspect that foundations that fund at the international level would be more likely to adopt evaluation and knowledge management to collect and organize information about their grants due to the complexity inherent in international grantmaking.

**Hypothesis 10: The likelihood of adopting evaluation and knowledge management increases as the geographic focus of grantmaking increases.**

**Hypothesis 11: Local funders are most likely to support leadership development and operating grants.**

#### *4.2.4.2 Sector Focus*

The major categories of foundation giving include: health, human services, public affairs/society benefit, arts and culture, environment and animals, international affairs, science and technology, religion, social sciences and education. Most foundations are active in a number of these fields. However, a more limited and focused approach to grantmaking is being strongly advocated throughout the sector (Porter & Kramer, 1999). Foundations are encouraged to limit the scope of their grantmaking to a few sectors as a means of making their grantmaking strategic (Katz, 2004). The rationale behind this is that by focusing on a few sectors foundations are able to understand the issues and actors within a field, knowledge that can improve their grantmaking. Given that focused grantmaking has emerged as a strategic philanthropic approach, foundations that have adopted this approach may also be motivated towards effectiveness and thus, they might be more likely to adopt effectiveness best practices.

**Hypothesis 12: Foundations with a limited sector focus are more likely to adopt the effectiveness best practices.**

#### *4.2.4.3 Catalytic Role*

This particular orientation, more than the others, reflects the role or identity that the foundation operates within through its grantmaking. A foundation's view of their purpose, like any organization, influences its practices. A foundations that sees itself as a general provider of charitable support may give across multiple areas and accept unsolicited requests whereas a foundation that views itself as a social investor (like venture philanthropists) may only give in very specific areas and only to groups that they have solicited. In the case of effectiveness best practice adoption, I am interested in the influence of a particular identity and that is the role of the problem solving catalyst. Taken from Young's (2001) typology of foundations, problem solving catalysts see themselves as innovators in the field with a responsibility for "catalyzing and coordinating a larger social effort to solve particular problems" (145). Because of their orientation toward innovation and field development, foundations whose actions place them in the problem solving catalyst category may be more inclined to adopt effectiveness best practices.

**Hypothesis 13: Foundations that act as problem solving catalysts have a greater likelihood of effectiveness best practice adoption.**



## Chapter 5

### DATA, MODELS, AND CONSTRUCTS

#### **5.1 Data Description**

The data used in this dissertation are a combination of questionnaire responses and archival data. The questionnaire responses were derived from a national survey of foundations that are members of the organization Grantmakers for Effective Organizations (GEO). In 2005, GEO commissioned LaFrance Associates to conduct a mail survey of its member organizations to solicit their perspectives on foundation effectiveness and to measure the use of practices that GEO advocates by grantmaking organizations. Of the 517 GEO members, 155 or 30% completed the mailed questionnaire. From the survey I obtained data on foundations' use of the effectiveness best practices that are the focus of this study. The archival data were obtained through the Foundation Directory maintained by the Foundation Center. The Foundation Center's database is a grantseeking research tool with information on grantmakers and their grants. From this database, I obtained data for many of the variables used as independent variables in the analysis- foundation type, established date, geographic location, foundation assets and the geographic and sectoral focus of grants.

The final dataset (after combining the survey data with the supplemental archival data) includes 135 observations. The number of observations is smaller than the total number of survey respondents since archival data for some of the organizations that

responded to the survey were not attainable through the Foundation Directory.<sup>5</sup> Like all studies of organizational innovativeness, the data used in this study are cross-sectional. Unlike studies of diffusion, where the focus is on the spread of an innovation, organizational innovativeness studies do not require knowledge of the time of adoption (Wolfe, 1994).

## **5.2 Methods of Analyses**

Due to the exploratory nature of this study, the analyses in this dissertation include an examination of: (a) basic descriptive statistics (b) a bivariate analysis of the difference between means for effectiveness best practice “adopters” and “non-adopters” (c) a series of multivariate logistic regression models of effectiveness best practice adoption and (d) a comparison of effectiveness best practice adoption models. The bivariate analysis provides a comparison of the characteristics of effectiveness best practice adopters and non-adopters. The multivariate analysis extends the bivariate analysis with a test of the relationship between foundation characteristics and effectiveness best practice adoption while simultaneously holding all other variables constant at their mean values. Logistic regression was chosen as the regression technique for this study due to the dichotomous nature of the dependent variables. In logistic regression, one can examine the log odds or predictive value that an independent variable has for a dichotomous dependent variable—in this case, the probability of adopting a

---

<sup>5</sup> Some of the respondents to the GEO survey were dropped from the analysis for either (1) not being a philanthropic foundation as defined by The Foundation Center or (2) not being physically based in the United States. Both of which are criteria for having data available in the Foundation Directory.

particular practice<sup>6</sup>. The results of the multivariate logistic regression analyses should be viewed as suggestive considering the relatively small number of observations. Since there are four effectiveness best practices included in this study, the logistic regression analysis is presented as four separate models (one for each effectiveness best practice) each with a sequence of individual variables (representing organizational capacity, organizational structure, operating environment and grantmaking orientation) added to the model. The first logistic regression model reflects the relationship between foundations' capacity (in terms of assets and experience) and effectiveness best practice adoption. The second model reflects the addition of organizational structure to the first model. The third model tests the influence of the operating environment on adoption behavior while controlling for capacity and organizational structure. The final model adds grantmaking orientation to the third model. The logistic regression models are constructed in this manner to focus on the strength and form of the relationships between effectiveness best practice adoption and a set of variables in the presence (or absence) of additional sets of variables<sup>7</sup>. Changes in coefficient values of sets of variables after the addition of another set reflect the covariation between these variables in relationship to practice adoption, and also the magnitude of the added variables' effects on the dependent variable.

---

<sup>6</sup> In the interpretation of the logistic regression models, I present both the log odds from the basic regressions and the probabilities, derived using a post estimation command in STATA software (prchange) that converts the log odds to probabilities.

<sup>7</sup>The construction of the models in this manner is not intended to convey a particular causal ordering of the independent variables.

### 5.3 Variable Description

#### 5.3.1 Dependent Variable

There are four dependent variables in this study each representing the reported use of the different effectiveness best practices by the grantmaking foundations in the sample. *Evaluation* is assessed through the survey question asking whether or not the organization conducts formal evaluation of its work. *Knowledge Management* is assessed through the survey question asking if the organization has a knowledge management effort underway. The *Leadership Development* variable was created from the survey question asking if the organization directly supports leadership development of grantees. Finally, *Operating Grants* is assessed by the survey question asking if the organization in the past year has provided general operating support grants. Each dependent variable is coded as a dichotomous variable with “1” indicating that the organization has adopted the practice and “0” signifying that the organization has not adopted the practice.

#### 5.3.2 Independent Variables

Organization capacity is measured by *foundation assets*<sup>8</sup> and foundation age. The foundation asset variable is a measure of the fiscal capacity of the organization in 2004. In some cases, especially community foundations and grantmaking public charities, the 2004 total gifts were added to the 2004 total assets. The natural logarithmic form of foundation assets is used in the analysis to normalize the otherwise left-skewed variable.

---

<sup>8</sup> Two alternative measures of organization capacity (sometimes used in philanthropy studies)-foundation size and foundation annual giving- are presented in the descriptive statistics and correlation analysis sections but are not included in the multivariate analysis due to high multicollinearity. The logistic regression results are similar when using staff size or total giving as substitutes for total assets.

*Foundation age* represents the number of years that the foundation has been established. It was created by subtracting the date the foundation was established (derived from the Foundation Center database) from the year 2005. These two variables- foundation assets and foundation age- are interacted in the multivariate analysis to measure their joint influence on effectiveness best practice adoption.

Organization structure is assessed by measures of the various types of foundations. The *foundation type* variable was derived from the classification of foundations in the Foundation Center's database. The various types- private, family<sup>9</sup>, community, corporate and grantmaking public charity- are included in the analysis as separate dichotomous variables.

The foundation's operating environment- as potentially related to effectiveness best practice adoption- is assessed by the *geographic region* in which the foundation is located. The data were collected from the Foundation Center's database. Four regions are included in the analysis as dichotomous variables-northeast, south, midwest and west.

Foundation grantmaking orientation is represented by three variables in this study- the geographic scope of foundation grantmaking, the foundation's relative focus of its grants across philanthropic sectors and whether or not the foundation meets the criteria to be considered a problem solving catalyst. The *geographic grantmaking focus* variable was created from data derived from the Foundation Center's database. It is included in the analysis as five separate dichotomous variables representing *local, state, regional*

---

<sup>9</sup> Since "family" foundation is not a legal designation, the Foundation Center places foundations in this category based on the following criteria: (1) the foundation bears the name of a living donor and (2) the family is involved on the board or staff. To check the accuracy of the designation based on these criteria, I cross-referenced the Foundation Center's data with the self-reported data in the GEO survey on the question where foundations were asked to indicate their foundation type. The survey responses were not used as the primary source of data for this variable because of missing responses.

(multi-state), *national* and *international* giving. This variable represents a foundation's highest geographic scale of giving since some foundations give across multiple scales<sup>10</sup>. For example, the Bill and Melinda Gates Foundation has grantmaking activity at both the national and international level. In this study, they would be labeled as an international foundation because their grantmaking expands to that level. The *sector focus* variable assesses the extent to which a foundation concentrates its giving within certain philanthropic sectors. It was created by counting the sectors that a given foundation gives to as listed in the Foundation Center's database. It is presented in the analysis as a dichotomous variable labeled *narrow* which refers to foundations that give within one or two sectors. To be certain that the Foundation Center's database was current on this variable, I cross-referenced the Foundations Center's data with information from the websites of a random sample of foundation's in the dataset. The final independent variable in the analysis is a dichotomous variable to assess the extent to which a foundation fits the role of a *problem solving catalyst*. The concept for this variable was derived from Young's (2001) taxonomy of foundation roles. In it, he describes problem solving catalysts as foundations that set broad strategy for the field, make investments in sustaining a coordinating infrastructure and behave as a coordinating or catalyzing agents among grantees and between grantees and other key institutions. The variable was created using questions from the GEO survey. Foundations were rated as problem solving catalysts if they responded positively to questions that asked if they funded research to advance knowledge in a particular field, if they convened their grantees, and if they supported collaborative efforts among grantees and foundation staff.

---

<sup>10</sup> The drawback to this coding is that foundations that only give internationally can not be delineated from those that give up to the international level (meaning they may also give at the local, regional or national level). Only 2 foundations included in this study were international-only funders.

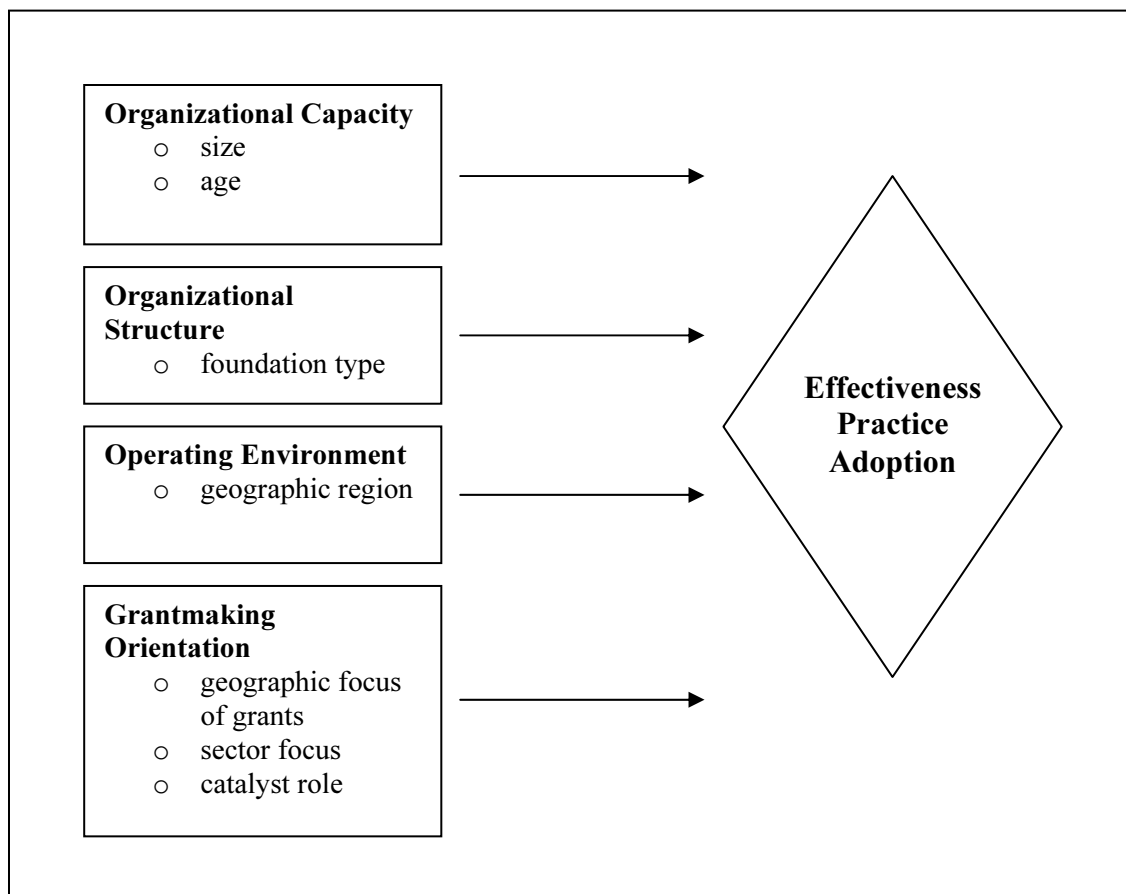


Figure 2. Determinants of Effectiveness Best Practice Adoption by Foundations

## 5.4 Sample Description

Table 1 in Appendix B provides a complete description of the summary statistics for the 135 foundations included in the dataset. Highlights from that table are described in this section.

### 5.4.1 Effectiveness best practices

In this sample of foundations, 67.5% reported that they conduct formal evaluations of the programs that they fund. This proportion is higher than the findings

from Ostrower's 2005 study where she found that 40% of foundations self-report that they conduct formal evaluations. I use Ostrower's study in this case as a benchmark because the survey she used was similar in nature to the one used in this study and it was collected in a similar time period, the major difference in the surveys is the sample. The difference between the proportions of evaluating foundations in this sample compared to Ostrower's sample suggests a higher propensity to adopt evaluation in the sample of foundations used in this study. This finding is not surprising when you consider that the foundations in this study are all members of an organization that is geared toward promoting evaluation in philanthropy while Ostrower's sample included a much broader group of foundations. In contrast, the proportion of foundations that reported they have provided general operating support grants in the past year in this sample (71.7%) is consistent with Ostrower's finding. This suggests that the practice of providing grant support for general operations is widely accepted in the field, although these type of grants represent only a small proportion of total giving (Frumkin & Kim, 2001). The remaining effectiveness related practices used in this study were not included in Ostrower's study so they do not have a baseline for comparison. In this sample, 37.7% of foundation respondents reported that they currently have a knowledge management effort underway. I expected the adoption rate of this practice to be much lower than the rest of the practices because of its novelty in the field. The final practice, grant support of leadership development for nonprofit employees, was reportedly adopted by 67.5% of the foundations in this sample. The amount of variation in the adoption of each practice (although most practices have a high adoption rate) is sufficient for the logistic regression analyses employed in this study and is consistent with the variation in the dependent



variables in previous adoption studies (Kimberly & Evanisko, 1981; Davis, 2003; Zaltman et al., 1973)

#### 5.4.2 Organization Capacity

There is a disproportionate amount of larger foundations in this study than in the general population of foundations. According to the Foundation Center (2006) the vast majority of foundations do not have paid staff (their work is being done by lawyers, bank trustees or family members) and approximately three-fifths of staffed foundations have 2 or fewer employees. In this sample, 2% of foundations are unstaffed, 34% of foundations have one to five employees, 20% have between six and ten employees, 19% have between eleven and twenty-five staff and 25% have more than twenty-five employees. The size distribution of foundations included in this sample suggests that the findings about the adoptive behavior of foundations from this study may only be relevant for staffed foundations.

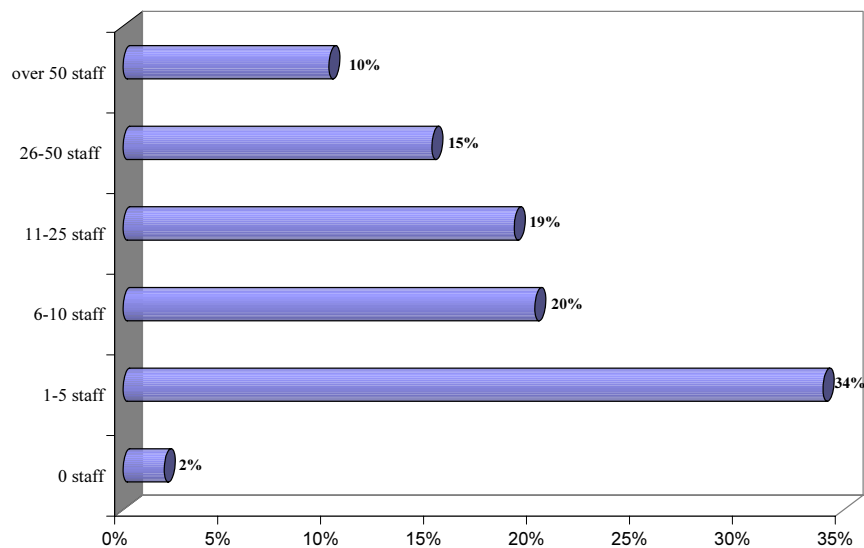


Figure 3. Distribution of Foundations by Staff Size

The overrepresentation of large foundations is also evident in the sizes of the assets controlled by the foundations in this study. Approximately 64% of the foundations in the sample have assets that are larger than \$50 million. There is, however, a more even distribution of foundations by age. Approximately 35% of foundations were created after 1990 and 41% were established before 1969. These cut-points in time reflect times of major change in the philanthropic sector that are relevant to effectiveness in philanthropy. In 1969 the Tax Reform Act was passed in response to questions of effectiveness and accountability in the sector. The 1990s was a decade of growth in the number of foundation following the economic boom during that period.

#### 5.4.3 Organizational Structure

In terms of the types of foundations included in the data, 32% are private foundations, 28% are family foundations, 21% are community foundations, 16% are grantmaking public charities (mainly health care conversion foundations) and only 3% are corporate foundations. There is an under-representation of corporate foundations and an overrepresentation of grantmaking public charities in comparison to the general population of foundations.

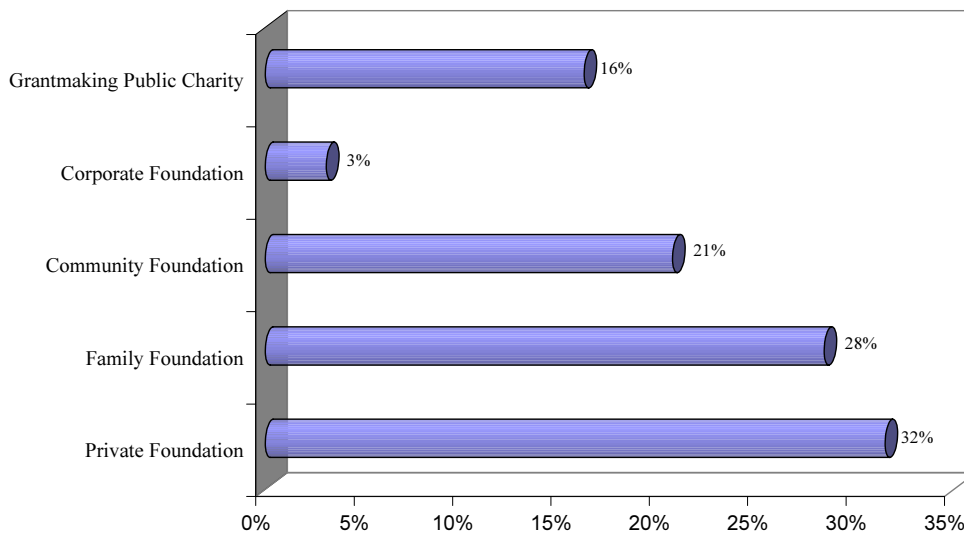


Figure 4. Distribution of Foundations by Type

#### 5.4.4 Operating Environment

There is a fairly even distribution of foundations by region in the sample- 26% of foundations are located in the west, 27% are located in the Midwest, 21% are located in the south and 26% are located in the northeast.

#### 5.4.5 Grantmaking Orientation

The majority of the foundations in the sample provide grants at the state level (56%). Almost half of the foundations (48%) give grants within one or two sectors and are labeled as having a narrow sector focus in this study. In terms of organizational role, 43% of the foundations in this sample met the criteria to be labeled problem solving catalysts.

## 5.5 Sample Comparison

Table 2 presents a comparison of the sample used in this study to the overall Grantmakers for Effective Organization's (GEO) membership in 2005. Twenty-six percent of the GEO membership are included in the sample used for this study. The GEO membership data were obtained through the membership directory available only to members on the GEO website. The two variables, foundation type and foundation asset size, were the only two variables available for comparison<sup>11</sup>. Compared to the overall GEO membership, there is a higher proportion of grantmaking public charities, family foundations and community foundations in the sample, and a lower proportion of private foundations and corporate foundations. There are no united way organizations, operating foundations or organizations that are not foundations in the sample. In terms of asset size, the dissertation sample has a smaller amount of small foundations than the GEO membership and a higher representation of large foundations. The proportion of medium size foundations (asset size ranging from \$10 million to \$249 million) in the sample is equivalent to the proportion in the overall GEO membership.

---

<sup>11</sup> The categories of foundation type and foundation size used in the sample comparison analysis are not the same as the categories used in the dissertation for analyses. The category choices for the sample comparison analysis were driven by data availability for the GEO membership as categorized on the organization's website and categories from the Foundation Center's Foundation Yearbook, in the case of the general foundation population.

Table 2. Comparison of the Sample with GEO Membership

	<i>Dissertation Sample</i>	<i>2005 GEO Membership</i>
# of foundations	135	517
<b>Foundation Type</b>		
Private	32%	45%
Family	28%	10%
Community	21%	13%
Grantmaking Public Charity	16%	3%
Corporate	3%	5%
United Way/Charitable Trust	0%	2%
Operating	0%	1%
Other (Affinity Groups, Govt. Grantmakers, Consultants)	0%	21%
<b>Foundation Asset Size</b>		
Under \$10 million	18%	27%
\$10 million to \$249 million	53%	54%
\$250 million and higher	29%	20%

Table 3 below presents a comparison of the dissertation sample to the general foundation population. Data on the 2005 foundation population were obtained through the 2006 Foundation Yearbook published by the Foundation Center. The categories of foundation type and foundation asset size in this analysis reflect the data available in the Foundation Yearbook. In terms of foundation type, there is greater representation of community foundations in the sample than there is in the general population while the proportion of independent foundations and operating foundations are smaller in the sample. The proportion of corporate foundations in the sample is relatively close to the proportion of corporate foundations in the general population. The sample used in this dissertation is positively skewed toward foundations with large assets. This is a marked difference from the general population which is largely comprised of foundations with small assets.

Table 3. Comparison of the Sample with General Foundation Population

	<i>Dissertation Sample</i>	<i>2005 Foundation Population</i>
# of foundations	135	67,736
<b>Foundation Type</b>		
Independent	60%	89%
Community	21%	1%
Corporate	3%	4%
Operating	0%	6%
<b>Foundation Asset Size</b>		
Under \$10 million	18%	92%
\$10 million to \$249 million	53%	7%
\$250 million and higher	29%	0.4%

Overall, it is clear from the comparisons in this section that the sample used in this dissertation is not representative of the overall GEO membership or the general population of foundations in 2005. In terms of foundation type, the overrepresentation of categories of foundations in the sample that have relatively low proportions in the GEO membership and in the general population actually enhances the ability to study these types of foundations using regression analysis. For example, if community foundations had the same representation in the sample as they do in the general population (1%), there would not be enough community foundations in the sample to conduct a multivariate analysis. However, the disproportionate percentage of large foundations in the sample compared to the general population has more far reaching implications for the generalizability of the study findings to small foundations.

## **5.5 Analysis Issues**

As noted in the previous section, the foundations included in this study are not representative of the general population of foundations. The foundations in this study are mainly large foundations, in terms of their asset size. This limits the generalizability of the findings from this study to large foundations. The limitations of generalizability notwithstanding, the sample is particularly useful for this analysis since it is primarily composed of staffed foundations and this set of foundations are generally more likely to incorporate practices to improve their organizational performance (Ostrower, 2004). Thus, this analysis is focused on the set of foundations for which effectiveness related practice adoption is most relevant.

Another issue arising from the non-random nature of the data is the potential bias generated from the exclusive focus on members of Grantmakers for Effective Organizations (GEO). By virtue of their membership in GEO, these organizations may be predisposed to an effectiveness orientation. This, however, strengthens the current analysis since it can offer insight into the organizational barriers of adoption that exist even among foundations that are partial to the effectiveness agenda. Another advantage this presents for this study is that it allows for exposure to be held constant. Previous research on innovation adoption highlights the positive influence that exposure has on the likelihood of adoption. All the respondents in the dataset have been exposed to the innovations under study through newsletters, conferences and forums sponsored by GEO.

## Chapter 6

### DATA ANALYSIS

#### **6.1 Chapter Introduction**

In this chapter, I outline the findings from the bivariate analysis of the difference between means for effectiveness best practice “adopters” and “non-adopters”, the multivariate logistic regression models of effectiveness best practice adoption and the comparative analysis of the four adoption models. As discussed in the previous chapter, the bivariate analysis provides a comparison of the characteristics of effectiveness best practice adopters and non-adopters. The multivariate analysis tests the relationship between foundation characteristics and effectiveness best practice adoption while simultaneously holding all other variables constant at their mean values.

#### **6.2 Difference between Adopters and Non-Adopters**

Using a t-test of the difference in means methodology, significant differences between adopters and non-adopters (measured at the .05 probability level or less) were tested for each of the four effectiveness best practices along the variables used to measure organization capacity (asset size, staff size, total giving and age), organizational structure (foundation type and pass-thru foundation<sup>12</sup>), operating environment (region), grantmaking orientation (geographic distribution of grants, sectors supported through grants, and role as a problem-solving catalyst) and adoption of the other effectiveness

---

<sup>12</sup> The pass-thru foundation variable is used to describe the class of foundations to which contributions are made and expended within the same year. This variable was included only in the bivariate analysis because the small number of pass-thru foundations in the sample is not sufficient for the multivariate analysis.



best practices.<sup>13</sup> Figures 5 through 8 present the variables for which there are significant differences between the two groups. Tables 8 through 11 in Appendix B display the full results of the difference in means analyses.

#### 6.2.1 Evaluation Adopters and Non-Adopters

Evaluation adopters are significantly more likely to have a large staff (26-50 employees), while non-adopters are more likely to have staff sizes in the 1-5 category. In terms of finances, evaluation adopters are more likely to be in the highest asset and giving categories than their non-adopting counterparts. These results suggest a positive association between foundation capacity (in terms of staff resources and financial resources) and formal evaluation adoption. The results in Figure 5 also indicate that evaluating foundations are more likely to be located in the midwest. This gives support to the hypothesis that regional differences in philanthropic cultures are associated with adoptive behavior. In the specific case of evaluation adoption and midwest foundations, I hypothesize a regional spill-over effect from the W.K. Kellogg Foundation based in Michigan on other foundations in the midwest to be the driver of the result that midwest foundations are more likely to adopt evaluation. The W.K. Kellogg Foundation is a thought leader in the area of nonprofit evaluation having published the Evaluation Handbook in 1998. Finally, Figure 5 indicates that foundations that are evaluation adopters are more likely to engage in activities that are consistent with a problem-solving catalyst role and they are more likely to adopt knowledge management and leadership development. Both of these results support the organizational inertia hypothesis.

---

<sup>13</sup> The presence of other effectiveness best practices was used as a variable in the bivariate analysis to distinguish adopters from non-adopters but was not included in the multivariate analysis because of reciprocal causality concerns.

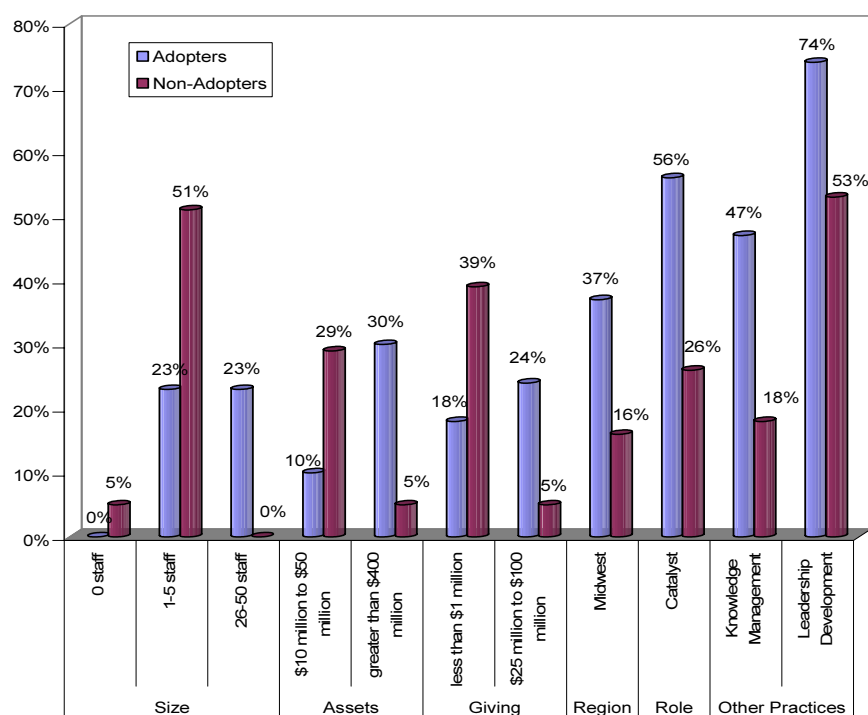


Figure 5. Significant Differences Between Evaluation Adopters and Non-Adopters

### 6.2.2 Knowledge Management Adopters and Non-Adopters

The profile of knowledge management (KM) adopting foundations is similar to evaluation adoption. This lends support to the hypothesis in this study that the type of practice to be adopted is important to adoption behavior since different practices require varying investments of organizational resources. KM and evaluation both require a high degree of technical skill and can be expensive relative to the other effectiveness best practices. Like evaluation adopters, KM adopters are more likely to have large staffs and are more likely to be in the highest asset and giving categories. Unlike evaluation adopters, KM adopters are more likely than non-adopting foundations to be located in the northeast. Again, this suggests a regional culture that is favorable to knowledge

management adoption. The particular cause of a KM favorable culture in the northeast instead of other regions is not clear. Finally, Figure 6 also shows evidence for the inertia hypothesis. Foundations that adopt knowledge management are also more likely to adopt evaluation and leadership development.

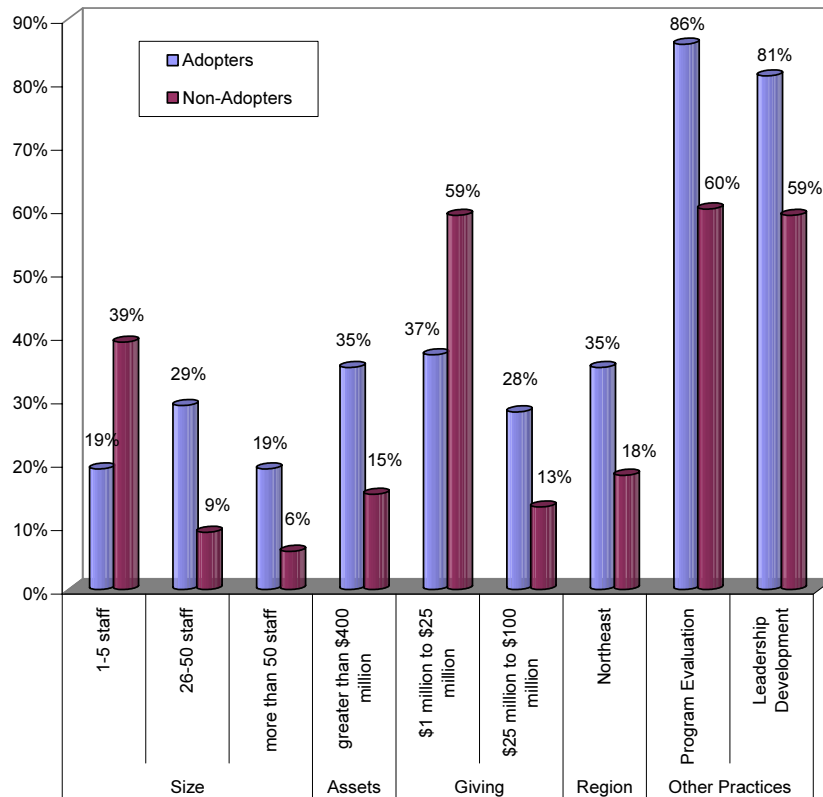


Figure 6. Significant Differences Between Knowledge Management Adopters and Non-Adopters

### 6.2.3 Leadership Development Adopters and Non-Adopters

Figure 7 below highlights the variables where there are significant differences between foundations that provide support for leadership development among their grantees and those that do not provide such funding. In terms of organizational capacity,

foundations providing leadership development support are predominately in the highest asset category. Unlike evaluation and knowledge management adopters, leadership development adopters are not differentiated from non-adopters according to staff size, total giving, or geographic location. Leadership development adopters are, however, significantly different in terms of the geographic focus of their grantmaking. Foundations that do not provide support for leadership development are more likely to give locally than foundations that do provide support for leadership development. This result runs counter to the hypothesized effect that locally funding foundations would be more likely to support leadership development. I expect foundations that give locally to have a connection to the community that would make them more aware and responsive to the needs of the nonprofits and community based organizations they fund such that they may be more willing to shape their effectiveness agenda around practices that improve nonprofit performance like leadership development and operating grants. As was the case with the previous effectiveness best practices, the inertia hypothesis is supported in this bivariate analysis of leadership development adoption.

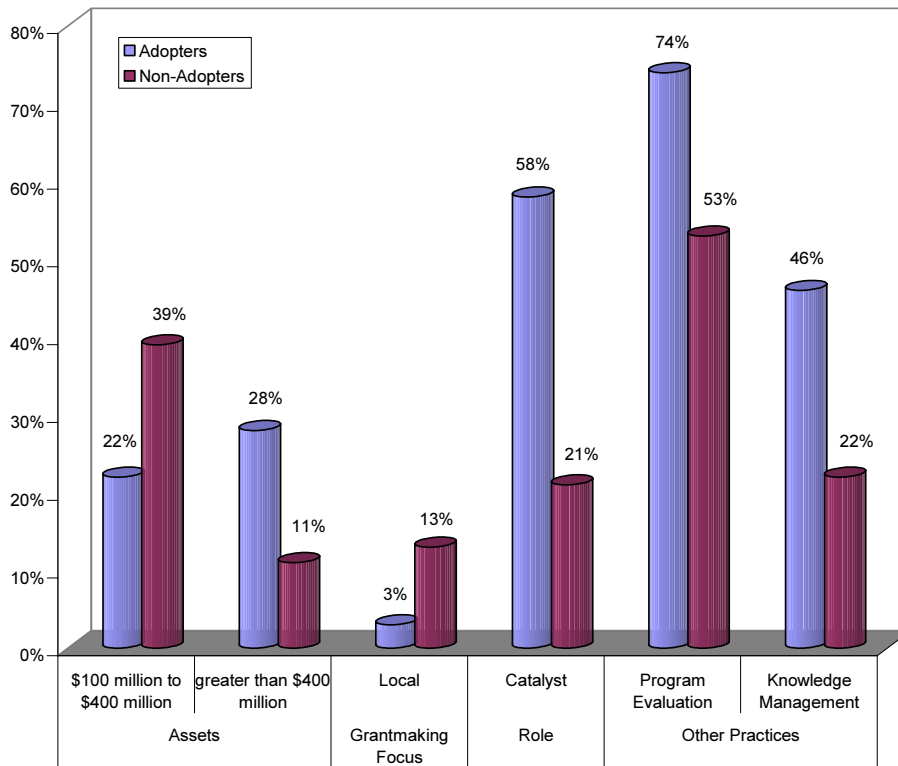


Figure 7. Significant Differences Between Leadership Development Adopters and Non-Adopters

#### 6.2.4 Operating Grants Adopters and Non-Adopters

The profile of foundations that support general operating grants has several distinguishing characteristics compared to the other effectiveness best practices. Foundations that provide general operating grant support to grantees are significantly more likely to be small foundations. This suggests that the organizational capacity hypothesis, supported by the other three effectiveness best practices, does not hold for general operating grants adoption. This could be expected for this particular effectiveness best practice since it does not require any additional organizational resources other than

those already used for grantmaking, in other words, there is not a barrier to adoption inherent in this effectiveness best practice. Unlike the other practices, foundation is a distinguishing characteristic of operating grant adopters. Foundations that support providing general operating grants are significantly more likely to be family foundations. This result suggests that there may be a norm in family foundations that makes them amenable to providing general operating support. The main structural characteristics that distinguishes family foundations from other types of foundations is the presence (and sometimes strong influence) of family members as trustees. It is possible that there is a connection between family members' preferences and support of general operating grants. Ostrower (2004) found family member preferences to have an effect on attitudes concerning foundation effectiveness. The geographic level of giving is another factor that distinguished operating grants adopters from non-adopters. Foundations that provide operating grant support are less likely than non-adopters to give at the national level. This supports the hypothesis that a preference toward operating grants adoption is related to proximity and trust. Like the other effectiveness practices, foundations that support general operating grants are more likely to fit the role of being a problem solving catalyst.

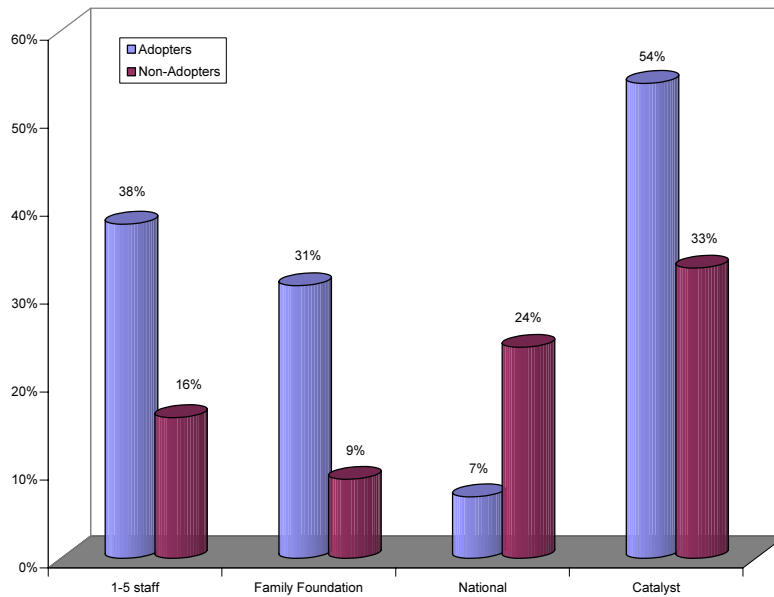


Figure 8. Significant Differences Between Operating Grants Adopters and Non-Adopters

#### 6.2.5 Comparison across Effectiveness Best Practices

Across the four tests of mean differences, it is apparent that being a problem solving catalyst is an important characteristic that delineates effectiveness best practice adopters from non-adopters. It will be interesting to see if this result holds in the multivariate analysis. In terms of structural characteristics, the presence of a large staff and large assets delineates evaluation and knowledge management adopters from non-adopters. This is to be expected since adoption of these practices often requires specialized staff trained in these fields. The only effectiveness best practice where adoption seems to be skewed toward foundations with a smaller staff size is providing funds for operating grants. Another interesting result from the bivariate analysis is the connection between evaluation, knowledge management and leadership development.

Foundations that adopted one of the three practices had a tendency to adopt the others. This suggests a bundling of effectiveness best practices.

The next section details the results of the logistic regression models. Unlike the previous analysis, these models take into account the interrelationship between the organizational and environmental factors. Given this, it is expected that some of the distinguishable characteristics of adopting foundations highlighted in the previous section may not be significant predictors of adoptive behavior in this next section.

### **6.3 Logistic Regression Results**

Tables 4-7 report the results of several logistic regression models which capture the effect of organizational capacity, organizational structure, operating environment and grantmaking orientation on the adoption of the effectiveness best practices. Each effectiveness best practice is modeled separately and each is analyzed with four models. The first model includes the organization capacity variables- assets, age and the interaction between assets and age. The second model adds the organizational structure variables- five categories of foundation type- to the first model and the third model adds the regional variables to the second model. The fourth model is the full model. In addition to the variables in the first three models the full model includes the grantmaking orientation variables- geographic grantmaking focus, sector focus, and problem solving catalyst. Rather than report the coefficient estimates, the tables report the estimated change in the probability of adoption,<sup>14</sup> that is, the percentage point change in adoption with a unit increase in the predictor variable holding the additional variables at their mean

---

<sup>14</sup> Tables 12-15 in Appendix B report the full results of the logistic regression analyses including the regression output in log odds format and the standard errors.



levels. The variables that are significant at least at the .10 level are indicated by stars. The interaction effects reported in tables 2-5 are the mean interaction effects. Recent work by Norton, Wang and Ai (2004) suggests that interpreting the interaction term from the logistic regression output can be misleading. Interaction terms in nonlinear models, unlike linear models, require calculation of the cross derivative of the dependent variable for proper interpretation because the interaction effect depends on other covariates. Therefore, the interaction effects may vary in magnitude and significance across the range of predicted values. To derive more accurate estimates of the interaction effect, I used the *inteff* command in STATA after running the logit model. The result of this analysis is a multitude of interaction effect coefficients across the range of predicted probabilities. Figures 9-16 report the results of the post-estimation test on the interaction terms. They present the full range of interaction effect coefficients and z-statistics across the range of predicted probabilities for the first model of each effectiveness best practice. In the figures showing the distribution of interaction effect coefficients, the solid line indicates the marginal effect that would have been found using the standard logistic regression analysis. In the figures with the distribution of z statistics of the interaction effects, the dots above or below the lines (at  $\pm 1.65$  and  $\pm 1.96$ ) indicate statistically significant results while dots falling between the lines are not significant. Appendix B includes the full results for the interaction effects for models 1-4 for each effectiveness best practice. In addition to the charts, tables 16-19 in Appendix B summarize the results of the *inteff* function. The first row of these tables present the mean estimates of the interaction effect, the second row has the minimum value of the interaction effect, and the third row includes the maximum value of the interaction. The range of varying interaction

effects across the probability distribution of adoption has corresponding z-statistics. The fourth row of the post-estimation interaction tables present the average z-statistic for the interaction effects, the fifth row presents the minimum z-statistic value while the sixth row presents the maximum value of the z-statistic.

### 6.3.1 Determinants of Evaluation Adoption

Table 4 reports the results of the analysis of evaluation adoption. The first model includes measures of the organizational capacity of foundations. The results indicate that foundation asset size is significantly related to evaluation adoption along with the interaction between asset size and foundation age. Foundation age alone, however, is not significantly related to evaluation adoption. The asset size coefficient suggests that the probability that a foundation will formally evaluate their grants increases 6.8 percentage points for every percent<sup>15</sup> increase in asset size, holding all other variables (including age<sup>16</sup>) at their mean levels. The mean interaction effect suggests that for every percent increase in asset size the effect of age on evaluation adoption increases by .2 percentage points. That is, foundations that are relatively larger (in terms of financial resources) and older have a greater likelihood of adopting evaluation than their younger and less financially endowed counterparts. Although the mean interaction effect is positive and significant, the post-estimation test on the interaction effect indicates that the interaction effect varies widely. For some observations, the interaction is positive, and for others, it is negative (see figures 9 and 10). For foundations with a predicted probability of

---

<sup>15</sup> Since asset size is represented in natural log form in this model, a 1-unit increase corresponds to a 1-percent increase.

<sup>16</sup> The asset and age variables were centered to allow for their interpretation in the presence of a significant interaction effect. Without centering, a main effect can only be interpreted holding the other main effect at zero, which is not very useful in the context of this study (Jaccard & Turrisi, 2003).

adoption between 0.4 and 0.8 the interaction effect is significant and positive. For foundations with predicted probabilities less than 0.4 the interaction effect is positive but is not significant. In the case of foundations with a predicted probability greater than 0.8, the interaction falls below zero and only a few are significant.

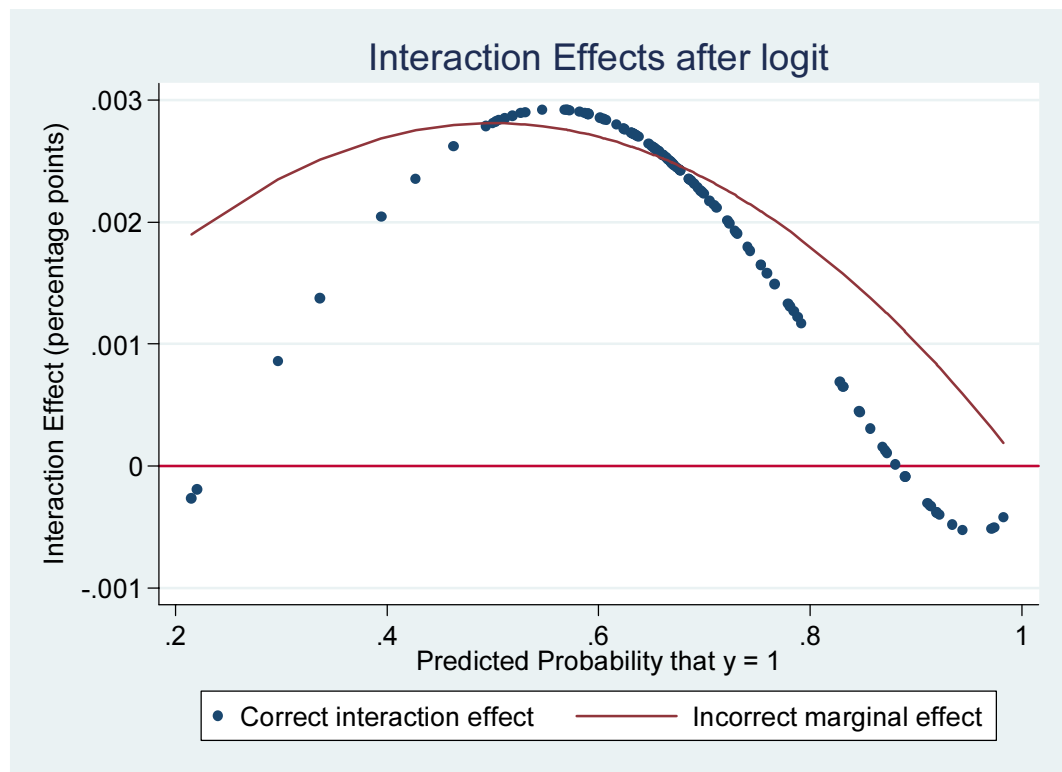


Figure 9. Distribution of Interaction Effects in Evaluation Adoption Model

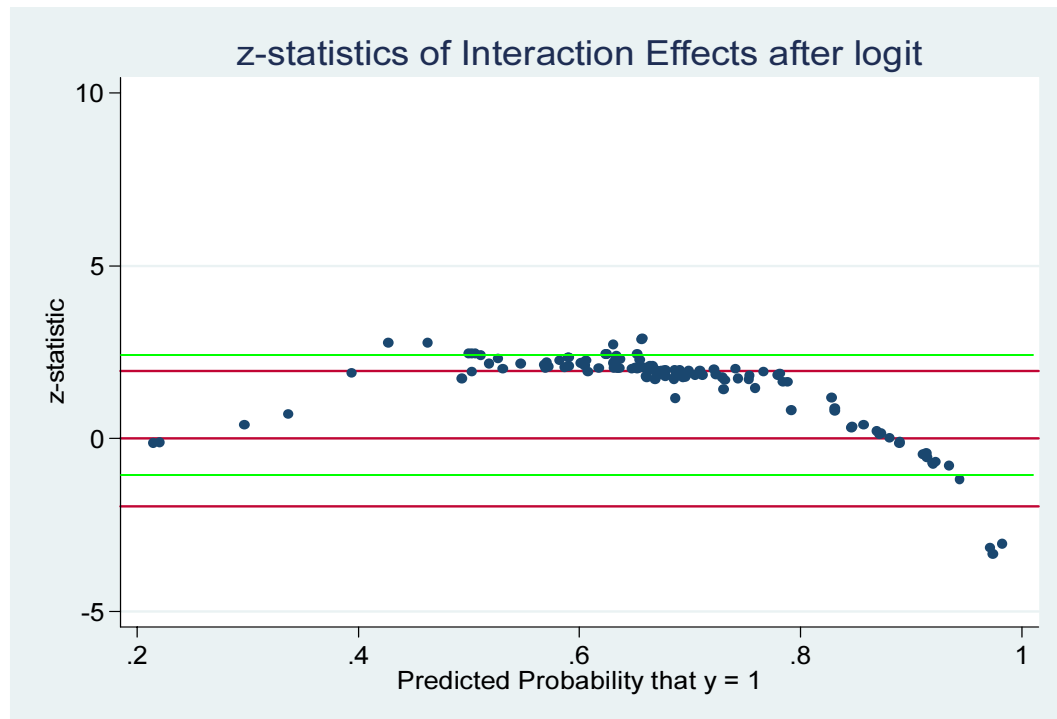


Figure 10. Statistical Significance of Interaction Effects in Evaluation Adoption Model

The second logistic model includes variables that measure the type of foundation in addition to the organization capacity variables in the first model. The categories of foundation type are family foundation, community foundation, corporate foundation, grantmaking public charity and private foundation is included as the control type. In the presence of organizational capacity, the type of foundation does not significantly influence the adoption of formal evaluation. In this sample, the results indicate that family and community foundations are less likely than private foundations to adopt evaluation while corporate and grantmaking public charities are more likely to adopt. The positive and significant effects of asset size and the mean interaction effect are retained in

the second model. Foundation age is still not significant in the second model; it has changed signs, however, to now have a small positive impact on evaluation adoption.

The third logistic model retains all the variables in the second model, and adds the geographic region in which the foundation is located. The region in which the foundation is located has no significant influence on whether or not the foundation adopts formal evaluation. In the sample, foundations in the west and in the south are less likely than foundations in the northeast to adopt evaluation, while foundations located in the midwest are more likely to adopt. The positive effects of asset size and the interaction between age and asset size are retained in the third model.

The final logistic model adds to the third model the geographic focus of foundation grantmaking, the sectoral focus of grants and whether or not a foundation fits the role of a problem solving catalyst, as measures of a foundation's grantmaking orientation. Neither the geographic focus nor the sectoral focus significantly influence the adoption of formal evaluation among foundations. There is, however, a strong effect of being a problem solving catalyst on evaluation adoption. Foundations whose practices fit the role of problem solving catalyst have a likelihood of adopting evaluation that is 31 percentage points greater than comparable foundations that do not fit this role. Some variables that were not shown to have a significant impact in the third model are now significantly related to evaluation adoption in the presence of the grantmaking orientation variables. Grantmaking public charities are shown in this final model to be significantly more likely than private foundations (21 percentage points) to adopt evaluation. Foundations that are located in the west and in the south are less likely than comparable foundations in the northeast to adopt evaluation by 34 percentage points and 25

percentage points respectively. In the final model, the positive impact of asset size shows a slight increase to 7.4 percentage points, up from 6.8 in the first model. The positive and significant impact of the mean interaction effect is also retained in the final model.

Table 4. Logistic Regressions of Evaluation Adoption

Variable		Model 1	Model 2	Model 3	Model 4
<b>Organizational Capacity</b>					
Assets (ln) (centered to the mean)		.0676***	.0637***	.0728***	.0738***
Foundation Age (centered to the mean)		-.0009	.0005	-.0004	.0005
Assets*Age (Mean Interaction Effect)		.002**	.002*	.002*	.002*
<b>Organizational Structure</b>					
Type (Control= Private)	Family		-.0895	-.0699	-.0627
	Community		-.0418	-.0627	-.1190
	Corporate		.0986	.1170	.0938
	Grantmaking Public Charity		.1721	.1861	.2116**
<b>Operating Environment</b>					
Region (Control= Northeast)	West			-.2267	-.3377**
	Midwest			.1149	.1181
	South			-.2052	-.2455*
<b>Grantmaking Orientation</b>					
Geographic Grantmaking Focus (Control= Local)	State				-.1502
	Regional				.1608
	National				-.1230
	International				.0311
Narrow Sector Focus					-.0373
Problem Solving Catalyst					.3112***
		N=116	N=116	N=116	N=116
		Count R <sup>2</sup> = .698	Count R <sup>2</sup> = .716	Count R <sup>2</sup> = .698	Count R <sup>2</sup> = .784
Logistic Regression coefficients report the estimated change in the probability of adoption holding all other variables at their means; The interaction term was estimated using the inteff post estimation technique, the average interaction is presented in this table; significance levels are *p<0.10, **p<0.05, ***p<0.01					

### 6.3.2 Determinants of Knowledge Management Adoption

Table 5 includes the results from the logistic regression of knowledge management adoption. In the first model, the main effects of age and asset size are not significant. In the sample, asset size and age have a small positive impact on knowledge management adoption. The only variable in the first model that is significantly related to knowledge management adoption is the mean interaction effect between asset size and age. The mean interaction effect suggests that for every percent increase in asset size the effect of age on evaluation adoption increases by .2 percentage points, and vice versa. The full range of interaction effects is presented in Figure 11. All but one of the interaction effects are positive with the highest reaching near 0.003. Figure 12 shows that the vast majority of the interaction effects are statistically significant.

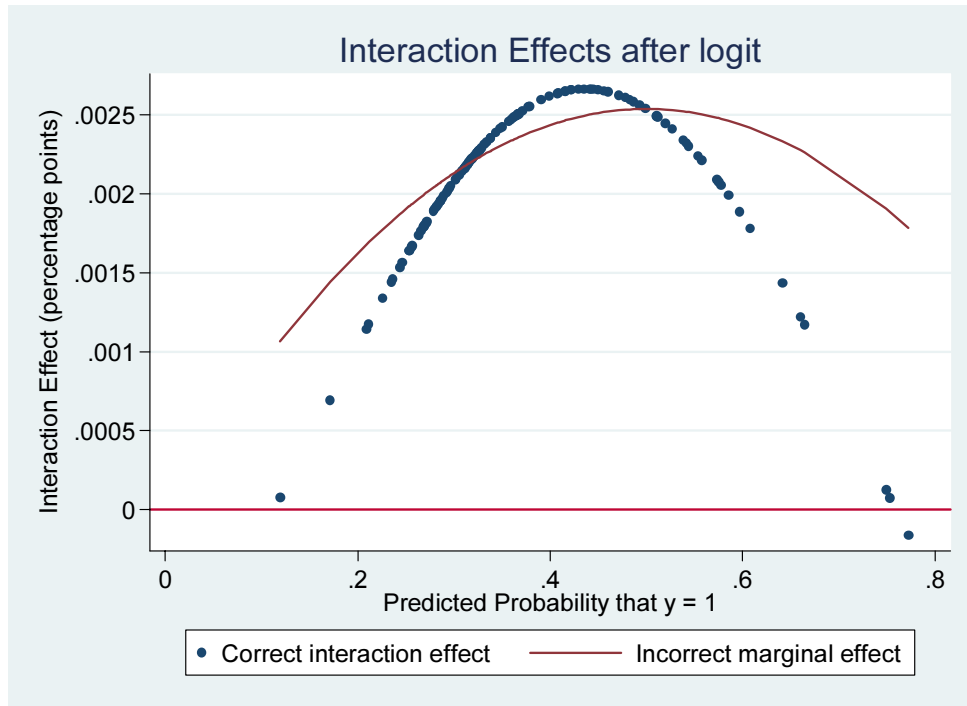


Figure 11. Distribution of Interaction Effects in Knowledge Management Adoption Model

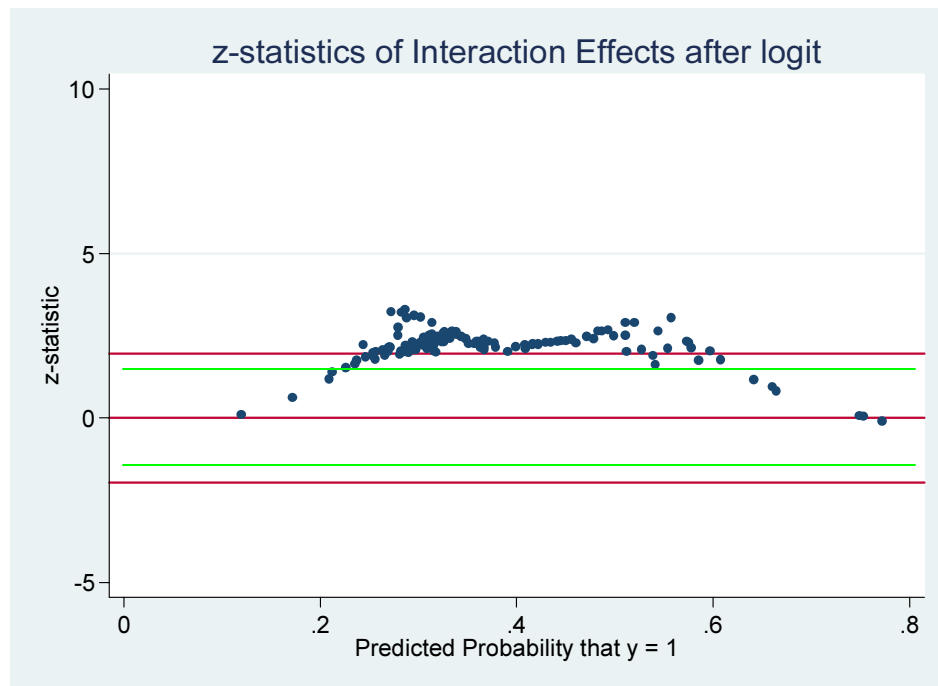


Figure 12. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model



In the second model, which adds organizational structure to the capacity measures, the relationship between foundation type and the adoption of knowledge management is not statistically significant. The coefficients indicate that in the sample, family and community foundations are less likely than private foundations to adopt knowledge management while corporate and grantmaking public charities are more likely to adopt. The positive effect of the mean interaction effect is retained in the second model.

The third model includes the region in which the foundation operates. There is no significant regional impact on the variation in knowledge management adoption. In the sample, foundations located in the northeast are most likely to adopt knowledge management.

In the final model, grantmaking orientation measures are added to the variables from the previous model. The statistically significant variables include the interaction between assets and age and problem solving catalyst. The results for the problem solving catalyst indicates that the probability that foundations labeled as problem solving catalysts will adopt knowledge management is 22 percentage points higher than non-problem solving catalysts. The final model reports that the probability that a foundation will adopt knowledge management is not significantly impacted by the foundation type, the operating environment, the geographic grantmaking focus or the sector focus of grantmaking.

Table 5. Logistic Regressions of Knowledge Management Adoption

Variable		Model 1	Model 2	Model 3	Model 4
Organizational Capacity					
Assets (ln) (centered to the mean)		.0004	-.0029	-.0013	-.0144
Foundation Age (centered to the mean)		.0003	.0016	.0014	.0026
Assets*Age (Mean Interaction Effect)		.002**	.002**	.002*	.002*
Organizational Structure					
Type (Control= Private)	Family		-.0935	-.1215	-.1380
	Community		-.0551	-.0564	-.1023
	Corporate		.1097	.0540	.0815
	Grantmaking Public Charity		.1633	.1392	.1552
Operating Environment					
Region (Control= Northeast)	West			-.1684	-.1867
	Midwest			-.1923	-.1903
	South			-.1954	-.2151
Grantmaking Orientation					
Geographic Grantmaking Focus (Control= Local)	State				-.1449
	Regional				-.2275
	National				-.0584
	International				.0480
Narrow Sector Focus					.0427
Problem Solving Catalyst					.2218**
		N=113	N=113	N=113	N=113
		Count R <sup>2</sup> = .690	Count R <sup>2</sup> = .717	Count R <sup>2</sup> = .699	Count R <sup>2</sup> = .717
Logistic Regression coefficients report the estimated change in the probability of adoption holding all other variables at their means; The interaction term was estimated using the inteff post estimation technique, the average interaction is presented in this table; significance levels are *p<0.10, **p<0.05, ***p<0.01					

### 6.3.3 Determinants of Leadership Development Adoption

Table 6 reports the results of the analysis of leadership development adoption on the four sets of independent variables- organizational capacity, organizational structure, operating environment and grantmaking orientation. The first model includes measures of

the organizational capacity of foundations. None of the variables included in the first model are shown to be significantly related to leadership development adoption. The results indicate that, in the sample, asset size, foundation age and the mean interaction between age and asset size have a small positive impact on the probability of adoption. The post-estimation test on the interaction effect indicates that the interaction effect varies widely. Figures 13 and 14 indicate that all the interaction effects are positive but none of them are significant.

The second model adds the foundation type variables, which do not show a significant impact on leadership development adoption. The results indicate that family foundations, community foundations and corporate foundations are less likely than private foundations to support leadership development, while grantmaking public charities are more likely to support the practice. The coefficient on asset size changed direction in the second model from a positive to a negative effect, but is still not significant.

The third model includes the regional location variables. The results show that foundations in the west are more likely than foundations in the northeast to support leadership development, while foundations in the midwest and south are less likely to adopt. The results, however, are not statistically significant and cannot be generalized.

Model 4 is the only model where a significant result is obtained. The likelihood of a foundation adopting the practice of supporting leadership development among its grantees is positively and significantly influenced by their role as a problem solving catalyst. Foundations that are engaged in activities that fit the role of problem solving catalyst are 33 percentage points more likely than foundations that do not fit that role to

support leadership development. As was the case in the previous model, the organizational capacity, organizational structure and operating environment are not significant predictors of leadership development adoption.

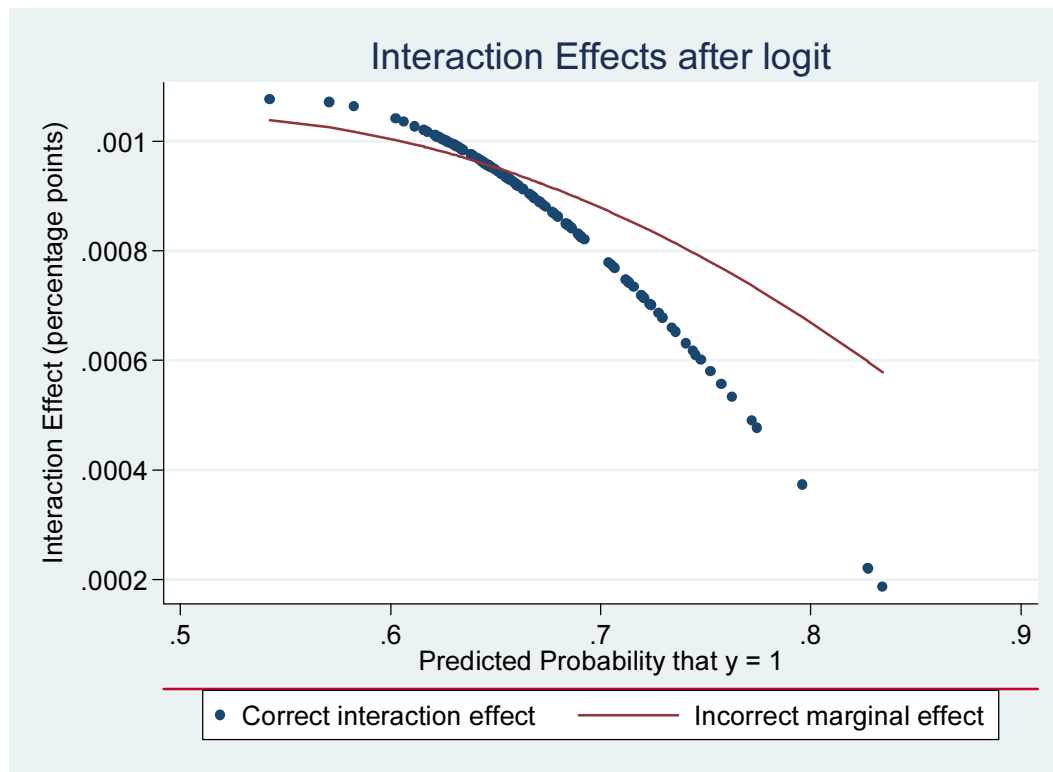


Figure13. Distribution of Interaction Effects in Leadership Development Adoption Model



Figure14. Statistical Significance of Interaction Effects in Leadership Development Adoption Model

Table 6. Logistic Regressions of Leadership Development Adoption

Variable		Model 1	Model 2	Model 3	Model 4
<b>Organizational Capacity</b>					
Assets (ln) (centered to the mean)		.0053	-.0021	-.0059	-.0160
Foundation Age (centered to the mean)		.0005	.0022	.0024	.0022
Assets*Age (Mean Interaction Effect)		.001	.001	.001	.001
<b>Organizational Structure</b>					
Type (Control= Private)	Family		-.1273	-.1513	-.1321
	Community		-.0942	-.1173	-.0755
	Corporate		-.2136	-.2282	-.2197
	Grantmaking Public Charity		.1161	.0628	.0738
<b>Operating Environment</b>					
Region (Control= Northeast)	West			.0734	.0449
	Midwest			-.0638	.0031
	South			-.1155	-.0746
<b>Grantmaking Orientation</b>					
Geographic Grantmaking Focus (Control= Local)	State				.3593
	Regional				.2846
	National				.2250
	International				.2947
Narrow Sector Focus					-.0374
Problem Solving Catalyst					.3300***
		N=116	N=116	N=116	N=116
		Count R <sup>2</sup> = .672	Count R <sup>2</sup> = .672	Count R <sup>2</sup> = .664	Count R <sup>2</sup> = .767
<i>Logistic Regression coefficients report the estimated change in the probability of adoption holding all other variables at their means; The interaction term was estimated using the inteff post estimation technique, the average interaction is presented in this table; significance levels are *p&lt;0.10, **p&lt;0.05, ***p&lt;0.01</i>					

#### 6.3.4 Determinants of Operating Grants Adoption

Table 7 reports the results of the analysis of operating grants adoption, that is, foundations that provide grant support for nonprofit operations. The first model includes measures of the organizational capacity of foundations. The results indicate that foundation asset size and foundation age are not significantly related to the support of

operating grants. In the sample, asset size is negatively related to operating grants adoption while foundation age is positively associated with operating grant support. The interaction between the two variables- asset and age- is significantly related to operating grants adoption. The mean interaction effect suggests that for every percent increase in asset size the effect of age on operating grants adoption decreases by .2 percentage points. That is, foundations that are larger (in terms of financial resources) and older have a lower likelihood of providing grants for operating support than foundations that are younger and have smaller sized assets. Although the mean interaction effect is negative and significant, the post-estimation test on the interaction effect indicates that the interaction effect varies widely. For the majority of observations, the interaction is negative (see figures 15 and 16). For foundations with a predicted probability of adoption between 0.4 and 0.8 the interaction effect is significant.

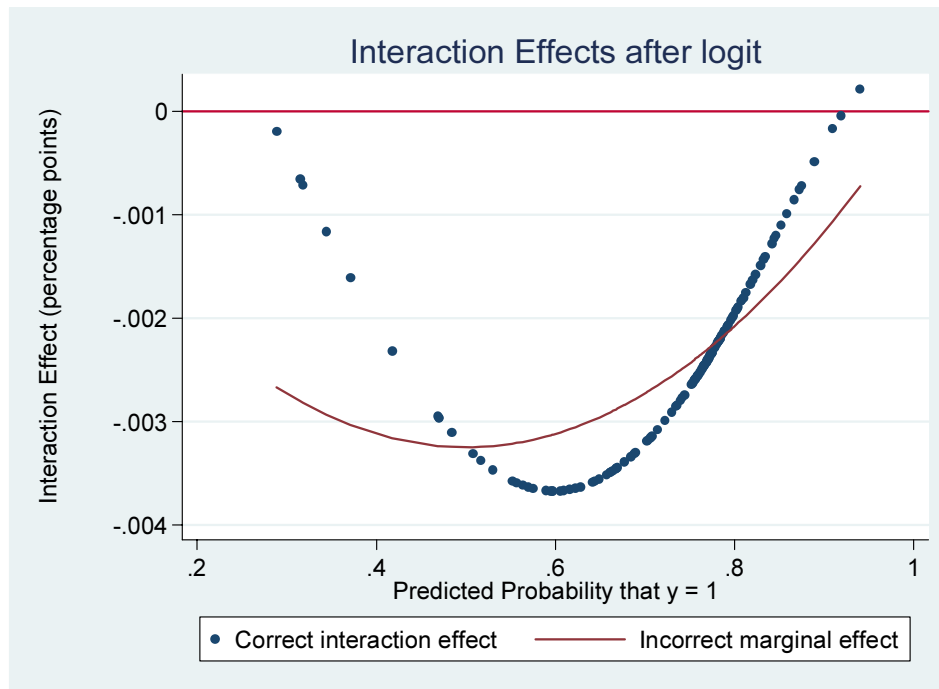


Figure15. Distribution of Interaction Effects in Operating Grants Adoption Model

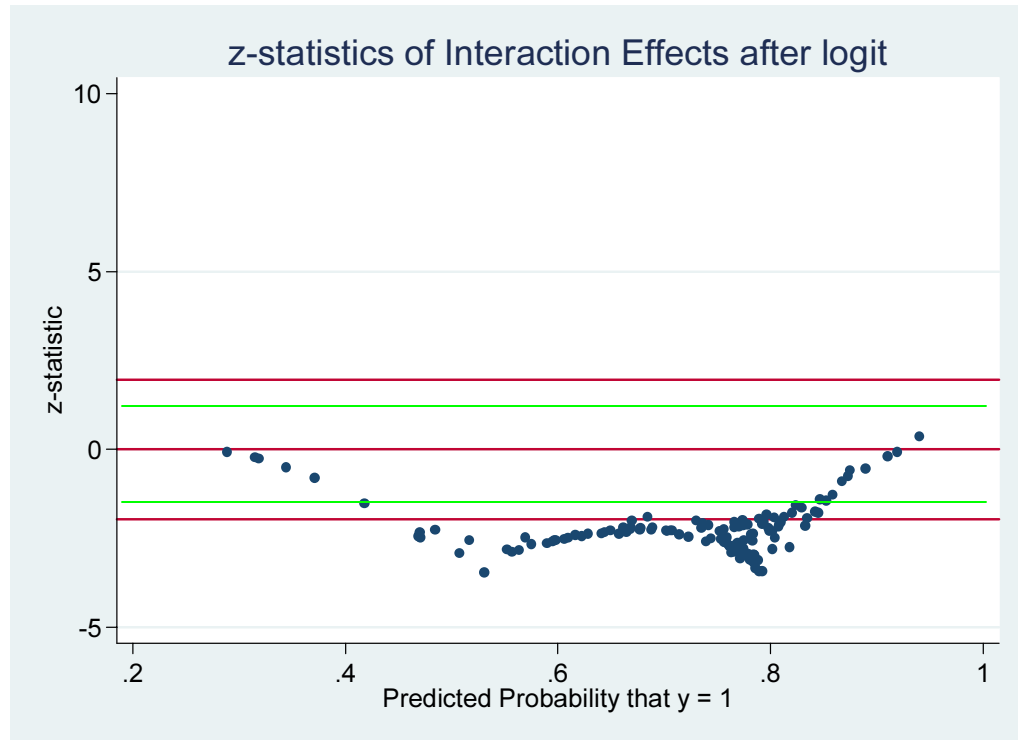


Figure16. Statistical Significance of Interaction Effects in Operating Grants Adoption Model

In the second model, which adds organizational structure to the capacity measures, there is a significant relationship for family foundations. The results indicate that the likelihood of supporting operating grants is 22 percentage points higher for family foundations than private foundations. The other organizational type variables are not significantly related to operating grants adoption. The coefficients on the other organizational type variables indicate that, in the sample, community foundations and grantmaking public charities are less likely than private foundations to support operating grants while corporate foundations are more likely to adopt. The negative effect of the mean interaction effect is retained in the second model. The coefficients on the asset size variable and the foundation age variable changed direction in the second model with asset



size now showing a positive relationship and foundation age showing a negative relationship. The main effects are still not significant in the second model.

The third model includes the region in which the foundation operates. The results indicate that there is a positive and significant difference between the likelihood of adoption between foundations in the midwest (17 percentage points) and foundations in the northeast. In the sample, foundations located in the west are more likely than foundations in the northeast to adopt and foundations in the south are less likely to adopt. The significant findings for the mean interaction effect and for family foundations are retained in the third model.

In the final model, grantmaking orientation measures are added to the variables from the previous model. The statistically significant variables include the interaction between assets and age, family foundations and problem solving catalyst. The positive and significant finding for midwest foundations in the third model was not retained in the presence of the grantmaking orientation variables. The results for the problem solving catalyst indicates that the probability that foundations labeled as problem solving catalysts will provide operating grant support is 14 percentage points higher than non-problem solving catalysts.

Table 7. Logistic Regressions of Operating Grants Adoption

Variable		Model 1	Model 2	Model 3	Model 4
<b>Organizational Capacity</b>					
Assets (ln) (centered to the mean)		-.0081	.0031	.0015	.0124
Foundation Age (centered to the mean)		.0017	-.0003	-.0005	-.0002
Assets*Age (Mean Interaction Effect)		-.002**	-.002**	-.002**	-.002*
<b>Organizational Structure</b>					
Type (Control= Private)	Family		.2167*	.2386**	.1825*
	Community		-.0120	-.0356	-.1324
	Corporate		.0643	.1186	.1165
	Grantmaking Public Charity		-.1244	-.1286	-.1981
<b>Operating Environment</b>					
Region (Control= Northeast)	West			.1112	.0782
	Midwest			.1724*	.1339
	South			-.0033	-.0112
<b>Grantmaking Orientation</b>					
Geographic Grantmaking Focus (Control= Local)	State				-.0913
	Regional				.0735
	National				-.3614
	International				.1853
Narrow Sector Focus					-.0364
Problem Solving Catalyst					.1387*
		N=116	N=116	N=116	N=116
		Count R <sup>2</sup> = .707	Count R <sup>2</sup> = .733	Count R <sup>2</sup> = .733	Count R <sup>2</sup> = .767
<i>Logistic Regression coefficients report the estimated change in the probability of adoption holding all other variables at their means; The interaction term was estimated using the inteff post estimation technique, the average interaction is presented in this table; significance levels are *p&lt;0.10, **p&lt;0.05, ***p&lt;0.01</i>					

#### **6.4 Comparison of Final Regression Models across Effectiveness Best Practices**

Table 8 below summarizes the results of the final logistic regression models for all four of the effectiveness best practices. The only variable to demonstrate an impact on adoptive behavior across all of the effectiveness best practices is the problem solving catalyst variable. This is an important result for the development of a general theory of foundation behavior. The problem solving catalyst variable, as used in this study, is an indicator of a foundation's role or identity as expressed through their grantmaking orientation. Taken from Young's (2001) typology of foundations, problem solving catalysts see themselves as innovators in the field with a responsibility for "catalyzing and coordinating a larger social effort to solve particular problems" (145). Because of their orientation toward innovation and field development, I hypothesized that foundations whose actions place them in the problem solving catalyst category may be more inclined to adopt effectiveness practices. Young describes problem solving catalysts as foundations that set broad strategy for the field, make investments in sustaining a coordinating infrastructure and behave as a coordinating or catalyzing agents among grantees and between grantees and other key institutions. This was operationalized in this study by selecting those foundations that reportedly fund research to advance knowledge in a particular field, convene their grantees, and support collaborative efforts among grantees and foundation staff. The positive impact of being a problem solving catalyst on foundation adoptive behavior (even after controlling for capacity, structural and environmental impacts) suggests that a foundation's actions are driven, in part, by the strategic identity through which the foundation operates. This relationship is consistent with perspectives on organizational behavior offered by the organizational strategy

theory. In the organizational strategy theory, organizations select practices that align with the current strategic focus and purpose articulated by that organization (Moore, 2000; Boeker, 1989; Hambrick, 1983). This suggests that foundations adopt practices that make sense to them given the current practices and priorities in their organization. The significant impact across all the effectiveness best practice models implies that this relationship holds across different types of practices with varying levels of organizational resources required for adoption.

Other insights gleaned from the comparison of the results from the four different models are: (1) the other grantmaking orientation variables (geographic scope and sectoral focus) did not have a significant impact on adoption of any of the effectiveness best practices, this suggests that the adoption of effectiveness best practices is not related to the complexity of foundation grantmaking, (2) the evaluation model had the highest number of significant results and (3) the leadership development model had the lowest number of significant variables, which might be an indication that the organizational innovativeness model is a better fit for explaining the adoption of skill-based, monitoring practices like formal evaluation than it is for explaining a practice like leadership development which is largely driven by perspectives within the foundation that nonprofit leadership is an issue that needs to be addressed.

Table 8. Comparison of Logistic Regression Models

		<b>Evaluation</b>	<b>Knowledge Management</b>	<b>Leadership Development</b>	<b>Operating Grants</b>
<b>Organizational Capacity</b>					
Assets (ln) (centered to the mean)		(+) <sup>***</sup>			
Foundation Age (centered to the mean)					
Assets*Age (Mean Interaction Effect)		(+) <sup>*</sup>	(+) <sup>*</sup>		(-) <sup>*</sup>
<b>Organizational Structure</b>					
Type (Control= Private)	Family				(+) <sup>*</sup>
	Community				
	Corporate				
	Grantmaking Public Charity	(+) <sup>**</sup>			
<b>Operating Environment</b>					
Region (Control= Northeast)	West	(-) <sup>**</sup>			
	Midwest				
	South	(-) <sup>*</sup>			
<b>Grantmaking Orientation</b>					
Geographic Grantmaking Focus (Control= Local)	State				
	Regional				
	National				
	International				
Narrow Sector Focus					
Problem Solving Catalyst		(+) <sup>***</sup>	(+) <sup>**</sup>	(+) <sup>***</sup>	(+) <sup>*</sup>
		N= 116	N= 113	N= 116	N= 116
<i>significance levels are *p&lt;0.10, **p&lt;0.05, ***p&lt;0.01</i>					

## DISCUSSION OF FINDINGS

### 7.1 Comparison of Research Findings with Hypotheses

In this chapter, I compare the research findings to the hypotheses posed in Chapter 4 to understand the extent to which my expectations of the relationships between the independent variables and adoptive behavior, as informed by the organizational innovativeness and organizational strategy theories, are supported through the regression analyses.

**Hypothesis 1: Larger foundations, measured in terms of staff size, assets and total giving, are more likely to adopt effectiveness best practices than smaller foundations.**

The results of the difference in means analyses where staff size, total giving and asset size were all included as measures of foundation size demonstrate that adopters of evaluation and knowledge management were more likely to be foundations employing the greatest number of staff, holding the largest amount of assets and giving at the highest levels. In the case of leadership development, asset size was the only one of the size variables to indicate a difference between adopters and non-adopters, with leadership development adopters being among the foundations with the largest assets. The one exception to the pattern of larger foundations having a greater tendency to adopt is with operating grant adoption. The difference in means results show that foundations providing operating grant support are more likely to employ 1-5 staff members,

compared to evaluation and knowledge management adoption where foundations tend to employ 26 or more employees.

The regression analyses include asset size as a measure of foundation size. The only model where this hypothesis is supported is in the formal evaluation adoption model. The results indicate that as a main effect, asset size is a positive and significant factor for evaluation adoption. The likelihood that a foundation would adopt evaluation is shown to increase 7.4 percentage points for every 1 percent increase in asset size. Because evaluation requires specialized training and is relatively expensive, it is not surprising that larger foundations are more likely to adopt evaluation. That knowledge management adoption is not significantly impacted by asset size (given that knowledge management shares the same skill-based, high cost characteristics as formal evaluation) is not as easily understood. It could be the case that foundations of all sizes see the need to organize and store their information, making knowledge management attractive to foundations of all sizes.

The other two effectiveness best practices, leadership development and operating grants, showed significant results in the bivariate analyses that were not maintained in the multivariate analyses. The hypothesis that larger foundations are more likely to adopt does not hold for leadership development and operating grants, suggesting that resource capacity is not a limiting factor to adoption of these practices.

**Hypothesis 2: The age of the foundation affects the likelihood of the foundation adopting the effectiveness best practices.**

Since the evidence for the impact of age on adoptive behavior in previous studies of organizational innovativeness is mixed, I expected that the effect of age on foundation adoptive behavior could be positive or negative. However, foundation age was not found to be a distinguishing characteristic between effectiveness best practice adopters and non-adopters in the difference in means analysis, neither was it found to be a significant predictor of adoption in the regression analyses. The results suggest that foundation age, as a main effect, does not influence adoption of any of the effectiveness best practices. In other organizational contexts, age is an indicator of agility, with more agile foundations having a greater tendency to adopt. The results in this study suggest that either agility is not a predictor of foundation adoptive behavior or that age is not an indicator of agility in the context of foundations.

**Hypothesis 3: There is a positive interaction effect between age and size on the propensity to adopt effectiveness best practices.**

A significant positive interaction effect was only found in the evaluation and knowledge management adoption models. In both cases, the mean effect size was .002 indicating that for every percent increase in asset size the effect of age on evaluation adoption increases by .2 percentage points and for every increase in age by 1 year, the effect of asset size on adoption increases by .2 percentage points. This, in part, supports the claim that the effectiveness best practices are championed by the elite group of larger and older foundations. However, it is noteworthy that this effect was supported in the case of the two effectiveness practices that demand the greatest level of organizational resources and are the two of the four that directly impact improve foundation



effectiveness. This might warrant two explanations: (1) because of the organizational resources demanded by these two practices, adoption may only be achievable by foundations with the greatest organizational capacity generated through accumulated assets and experience over time, (2) because these two practices have a more direct link to foundation effectiveness than the other two practices that, at best, indirectly link to foundation effectiveness through nonprofit effectiveness, they are more likely to be adopted by the “face of philanthropy” group of larger and older foundations as a way of establishing the legitimacy of the sector by publicly demonstrating a commitment toward improving the effectiveness of foundation grantmaking.

Although the hypothesis was supported in the case of evaluation and knowledge management, the anticipated effect was reversed in the adoption model for operating grants. The operating grants adoption model resulted in a significant negative interaction effect between age and asset size. The mean effect was  $-.002$  indicating that for every percent increase in asset size the effect of age on evaluation adoption decreases by .2 percentage points and for every increase in age by 1 year, the effect of asset size on adoption decreases by .2 percentage points. That is, foundations that are larger (in terms of financial resources) and older have a lower likelihood of providing grants for operating support than foundations that are younger and have fewer assets. This effect may reflect the recent patterns of growth in the sector. From 1990 to 2002, the number of active grantmaking foundations doubled, from approximately 32,400 to over 64,800 (The Foundation Center, 2004). This is largely due to the economic boom of the 1990s. The tremendous increase in personal wealth during this period brought “a new breed of philanthropists” into the sector, individuals (many of them relatively young) who largely

made their fortunes through technology ventures (Conlin and Hempel, 2003). Some of the leaders in this new wave of philanthropists brought to their foundations the same business acumen they utilized in their private enterprises, seeking to maximize the social impact of their actions just as they sought to maximize shareholder value in their businesses. One of the distinguishing characteristics of this group of philanthropists is a preference for building grantee operating capacity (Katz, 2004). Since many of these new foundations are also small (The Foundation Center, 2005), this might explain the negative interaction effect.

The variation of results on the interaction effect across the effectiveness practices supports the claim in some studies of organizational innovativeness that, in addition to the structural, personal and environmental factors that shape adoption behavior, adoption is also contingent upon characteristics of the practice under consideration.

**Hypothesis 4: Effectiveness best practices requiring higher levels of administrative investments by foundations (evaluation and knowledge management) will be influenced more by organizational capacity than effectiveness best practices that require less administrative investment at the foundation level (leadership development and general operating grants).**

This hypothesis is partially supported by the logistic regression analyses. While it is the case that evaluation and knowledge management adoption are influenced more by the organizational capacity variables than leadership development adoption, this does not hold for operating grants adoption. The magnitude of the impact on the interaction effect in the operating grants model is the same as the effect size in the evaluation and

knowledge management models (.002); the only difference is that the direction of the effect in the operating grants model is negative while the direction of the effect in the evaluation and knowledge management models is positive.

The results indicate that evaluation adoption, however, is most influenced by organizational capacity since it is the only model in which a main effect and the interaction effect are significant.

**Hypothesis 5: Corporate foundations are more likely to adopt evaluation and knowledge management than other types of foundations.**

This hypothesis is not supported by the difference in means tests nor the logistic regression analyses. The regression results do show that, in the sample, corporate foundations are more likely than private foundations to adopt these practices; however, these results cannot be generalized. It seems that the private sector orientation toward measurement of results and management of information that I anticipated in corporate foundations is not a significant factor in the adoption of evaluation and knowledge management.

**Hypothesis 6: Community foundations are more likely to adopt general operating support but are least likely to adopt evaluation.**

I expected to see a difference in operating grant adoption behavior specifically for community foundations because of previous findings by the Foundation Center (2005) which indicated that community foundations tended to support nonprofits through the provision of operating grants. This hypothesis is not supported by the analyses. In the

difference in means tests, being a community foundation was not a distinguishing characteristic between adopters and non-adopters of any of the effectiveness best practices. In the regression analyses, community foundations were not significantly related to adoption of any of the effectiveness best practices. The models did show that in the sample, community foundations were less likely than private foundations to adopt all of the effectiveness best practices, I would not expect this result to hold in the general population of foundations.

**Hypothesis 7: Family foundations are less likely than other independent foundations to adopt effectiveness best practices.**

The findings from the analyses on operating grants adoption suggest the opposite effect. In both the difference in means analysis and the logistic regression analysis, family foundations are significantly more likely to support general operating grants. In the regression analysis, family foundations have a likelihood of adopting operating grants that is 18 percentage points higher than private foundations. I expected family foundations to be less likely to adopt all of the effectiveness best practices because of Ostrower's (2004) finding that the influence of the family members in family foundations tended to limit their ability to move toward an effectiveness agenda. I suspect that the difference in my and Ostrower's findings is related to the qualitative difference between the effectiveness best practices. In the other effectiveness best practice models, the results indicate that, in the sample, family foundations are less likely to adopt than their private foundation counterparts. It could be the case that foundations do not equate operating grants with effectiveness, even though the two are related by effectiveness promoting

organizations in the field. The provision of operating grants is a grantmaking practice that was utilized by foundations before the emergence of the effectiveness agenda. Family foundations, then, may have already established a preference for providing grants in the form of operating grants, especially if they have close relationships with their grantees, which might be expected given that family foundations are often used by families as vehicles to fulfill their personal giving commitments (Jones, 1997). This result warrants further investigation.

**Hypothesis 8: Foundations in the west are more likely to adopt effectiveness best practices.**

The findings from the analyses counter this hypothesis. The evaluation adoption model was the only model to report a significant result for foundations in the west; however, the result was not consistent with the hypothesis. The results indicate that foundations in the west have a likelihood of adopting evaluation that is 34 percentage points lower than foundations in the northeast. My hypothesis about the adoption behavior of foundations in the west was an extension of Ostrower's (2004) finding that they were more likely to publish annual reports and to conduct strategic planning than foundations in other regions. The result in the evaluation adoption model demonstrates that evaluation is a substantively different practice than all other types of effectiveness-related practices. The models for leadership development and operating grants adoption showed that, in the sample, foundations in the west are more likely than foundations in the northeast to adopt those practices.

**Hypothesis 9: Foundations in the south are the least likely to adopt effectiveness best practices.**

I expected foundations in the south to have a lower propensity to adopt the effectiveness best practices because they were the least likely to say that measurable outcomes were important in Ostrower's (2004) study. The results of the regression analysis of evaluation adoption indicate that foundations in the south are significantly less likely than foundations in the northeast to adopt evaluation. The likelihood that a southern foundation will adopt evaluation is 25 percentage points lower than foundations in the northeast. Although their likelihood of adoption is lower, foundations in the south are not the least likely to adopt. Among the different regions, foundations in the west are the least likely to adopt evaluation. The other models of effectiveness best practice adoption did not result in significant findings for southern foundations. In each of those models, however, they do show that among the foundations in the sample, foundations in the south are the least likely to adopt.

**Hypothesis 10: The likelihood of adopting evaluation and knowledge management increases as the geographic focus of grantmaking increases.**

This hypothesis is not supported by any of the regression models. Geographic grantmaking focus was not a significant predictor of adoption for any of the effectiveness best practices. The results for evaluation and knowledge management adoption indicate that, in the sample, foundations that give at the regional level are most likely to adopt evaluation and foundations that give at the international level are most likely to adopt knowledge management.

This findings on the geography variables suggests that the adoption decision may not be as closely related to operational complexities as it is in the case of administrative spending, another type of foundation spending (Boris et al., 2006).

**Hypothesis 11: Local funders are most likely to support leadership development and operating grants.**

I assumed that local funders' proximity to their grantees would result in a greater tendency to adopt leadership development because they would be more aware and responsive to the infrastructure needs of their grantees. This hypothesis is not supported by the regression models. The model for leadership development suggests that, in the sample, foundations that give locally are the least likely to support leadership development. The model for operating grants adoption suggests that, in the sample, foundations that give at the international level are most likely to support operating grants. In international contexts of great need, the nonprofit infrastructure may not be strongly developed requiring international-giving foundations to invest in the organizational and programmatic development of their grantees.

**Hypothesis 12: Foundations with a limited sector focus are more likely to adopt the effectiveness best practices.**

Since a limited sector focus is an indicator of strategic grantmaking (Katz, 2004), I expected foundations with this orientation to also be more oriented towards an effectiveness agenda. However, the number of sectors in which foundations give support is not a significant predictor of adoption of any of the effectiveness best practices. For all

of the effectiveness best practices, except knowledge management, the effect of having a narrow sector focus (give in one or two sectors) is negatively related to adoption in the sample. This indicates that the indicators of strategic philanthropy might not be transferable to effective philanthropy.

**Hypothesis 13: Foundations that act as problem solving catalysts have a greater likelihood of effectiveness best practice adoption.**

This hypothesis is supported by all of the models. In the case of evaluation, the likelihood of adoption is 31 percentage points greater for problem solving catalysts. Knowledge management adoption is increased by 22 percentage points for problem solving catalysts while being a problem solving catalyst increases leadership development and operating grant support by 33 percentage points and 14 percentage points respectively. The difference in means analyses also showed that being a problem solving catalyst distinguished evaluation, leadership development and operating grants adopters from non-adopters. The positive impact of being a problem solving catalyst on foundation adoptive behavior (even after controlling for capacity, structural and environmental impacts) suggests that a foundation's actions are driven, in part, by the strategic identity through which the foundation operates. This relationship is consistent with perspectives on organizational behavior offered by the organizational strategy theory.



### 7.1.1 Summary

Overall, there is only one hypothesis that is fully supported in this analysis and that is the positive effect of being a problem solving catalyst. Of the grantmaking orientation variables, this is the only one to have a significant influence on effectiveness best practice. Three of the four hypotheses regarding the influence of the organizational capacity variables are partially supported by the analyses. None of the hypotheses regarding the influence of organizational structure and operating environment are supported in this analysis.

## Chapter 8

### CONCLUSIONS AND IMPLICATIONS

In this concluding chapter, I will first summarize the main findings in section 8.1 and then I will discuss the conclusions and inferences that can be drawn from this research. This is followed by a discussion of the implications this work has for research, policy and practice.

#### **8.1 Overview of Main Research Findings**

In short, the key findings are as follows:

The use of formal evaluation practices in foundations to assess the contributions and impacts of grantmaking is positively influenced by asset size and the interaction between assets and foundation age. Grantmaking public charities and foundations that act as problem solving catalysts are more likely to adopt evaluation while foundations in the west and south and less likely than foundations in the northeast to evaluate their grants.

The probability that a foundation has a knowledge management system is increased if the foundation is larger and older and if the foundation acts as a problem solving catalyst. The organizational structure and operating environment have no impact on knowledge management adoption.

The likelihood that a foundation will support leadership development among its grantees is greatly enhanced if the foundation acts as a problem solving catalyst.

Organizational capacity, organizational structure, and the operating environment do not influence leadership development adoption.

Support of operating grants is influenced by organizational capacity, organizational structure and grantmaking orientation. Smaller and younger foundations have a greater tendency to provide general operating support as well as family foundations and foundations that act as problem solving catalysts.

The findings suggest that, in the case of effectiveness best practices that require greater organizational resources, the capacity of the foundation is an indicator of adoption. However, the findings also show that the capacity effect, when present, has the smallest effect on the adoption decision; the effect size of structure, environment and orientation variables are larger in the cases where they show a significant effect. The findings also demonstrate that adoption of effectiveness best practices is more likely to occur when they fit within the strategic direction of the organization.

## **8.2 Conclusions**

In summary, what do these findings mean for understanding effectiveness best practice adoption by philanthropic foundations? What do they indicate about ways organizational characteristics, organizational structure, operating environment and grantmaking orientation relate to foundation adoption of evaluation and knowledge management systems and support of leadership development and operating?

First, the findings suggest that foundations require a certain capacity that is present in larger and older foundations to adopt formal evaluation and knowledge management systems. Evaluation is a practice that requires formal training. Even the simplest evaluations require the ability to measure impacts or to associate impacts with a particular intervention. The development of a knowledge management system also

requires some training. It could be the case that larger and older foundations hire skilled staff with the ability to conduct evaluations or manage knowledge systems, which would suggest that the presence of skilled staff moderates the effect of asset size and age on evaluation and knowledge management adoption. Another potential explanation for this effect is that the use of evaluation and knowledge management techniques is “expected” for this elite group of foundations. In philanthropy, the largest and oldest foundations are more than organizations, they are institutions. They, in many ways, shape the field of philanthropy and because of their visibility and name recognition are the “the face of philanthropy”. With this role comes the expectation that these organizations would be at the forefront of effective philanthropy.

However, the factors that motivate larger and older foundations to adopt evaluation and knowledge management are not necessary for the adoption of the practice of providing general operating grant support. The findings suggest that having more capacity in terms of finances and experience does not enhance a foundation’s predilection to support general operating grants. Smaller and younger foundations are more likely to adopt this practice. This finding is consistent with research from the The Foundation Center (2005), which reported that large, staffed foundations were most likely to support project grants and least likely to support operating grants. Although adoption of this practice does not require specialized staff, it does require a certain grantmaking philosophy (that investment in the infrastructure of a nonprofit organization is just as important as investment in their programs) and a certain amount of trust in grantees. It could be the case that these characteristics are more prevalent among smaller and younger foundations.

Second, the effect of organizational structure on adoptive behavior is only relevant for evaluation and operating grants adoption. Family foundations have a greater tendency to provide operating grant support than private foundations. This finding will make a useful contribution to the sector's understanding of operating grant support. Whereas, the relationship between foundation size and support of operating grants is understood, the association between the type of foundation and operating grant support is not very well understood. In the case of evaluation adoption, grantmaking public charities are more likely than private foundations to adopt. The category, grantmaking public charity, is dominated by healthcare conversion foundations in the sample and it could be the case that they are driving the positive effect.

Third, the effect of the operating environment is only relevant for evaluation adoption. The findings suggest that foundations in the south are less likely than their counterparts in the northeast to adopt evaluation while foundations in the west are the least likely to adopt evaluation. The finding for southern foundations is consistent with the results of Ostrower's 2004 study of foundations where she found that leaders of foundations in the south were the least likely to say that measurable outcomes were important. The findings are surprising, however, for foundations located in the west where Ostrower found a greater tendency to publish annual reports and to conduct strategic planning, practices that one could argue are oriented toward achieving and demonstrating results, an orientation that is consistent with evaluation.

Finally, the grantmaking orientation of foundations, in particular, an orientation towards activities that fit the role of a problem solving catalyst is a strong positive predictor of adoption of all of the effectiveness best practices. The effect of being a

problem solving catalyst was greatest in the case of leadership development adoption. In fact, it was the only variable in the leadership development model to have an effect on adoption, suggesting that the decision to support leadership development among grantees is mainly influenced by a foundation's strategic orientation or philosophy. The positive effect of being a problem solving catalyst on adoption is consistent with Young's (2001) notion that organizational identity supports and drives the strategic direction of organizations. This finding also supports the inertia perspective in organizational strategy theory which states that organizations' actions are based on previous strategic choices (Miles & Snow, 1978).

Overall, it can be concluded that foundations are more likely to adopt effectiveness best practices when the practice is consistent with their strategic role and current practices, and in the case of evaluation and knowledge management, when there is sufficient capacity in the foundation to absorb the practices into the organization. Additionally, the differences across the models indicate that adoption decisions are also affected by characteristics of the effectiveness best practice itself. For example, the influence of capacity constraints on adoption is relevant only when the effectiveness best practice requires a considerable organizational investment of time, skills, and money.

### 8.3 Implications

This dissertation focused on exploring the influence of organizational capacity, organizational structure, operating environment and grantmaking orientation on foundations' adoption of four effectiveness best practices- evaluation, knowledge management, leadership development and operating grant support. This study was an

exercise in understanding foundation behavior through the application of two complementary organizational theories- organizational innovativeness and organizational strategy theories with the intention of advancing a theory of foundation behavior. The two organizational theories provided a conceptual framework that guided the choice of variables used in the analyses. Through the use of these theories, the types of organizational and environmental factors explored in relation to foundation behavior were expanded in this study. Previous studies of foundation behavior do not explore the capacity effect at the level at which it is explored in this study through the inclusion of the interaction effect and they have ignored the effect of grantmaking orientation, which was demonstrated through this study to be a significant indicator of foundation behavior. The findings of this study clearly indicate that these organizational theories have applicability in the study of foundation adoptive behavior. Moreover, the findings suggest that foundations, although unique organizations, behave like other types of organizations. This was demonstrated by significant results on the capacity effects and the problem solving catalyst variable, which was an indication of an organizational inertia effect.

The results of this study provide information that could shape the practice of “effectiveness advocates” like GEO and the Center for Effective Philanthropy that seek to spread effectiveness best practices throughout the sector and can also influence the way in which foundations, as organizations, are perceived by policy makers.

On a practical level, this research shows that adoption of each effectiveness best practice is influenced by different factors, suggesting that efforts to promote adoption of these practices may necessitate unique messages and approaches. On the one hand, effectiveness best practice advocates may need to seek new ways to engage smaller and

younger foundations in evaluation and knowledge management adoption that, in some way, can overcome the capacity barrier. On the other hand, the judgments that larger and older foundations have against providing support through operating grants can be shaped by further understanding what drives smaller and younger foundations to adopt this practice. In addition, the findings of this study may influence effectiveness best practice advocates to accept the sobering notion that adoption of effectiveness best practices may not be suitable to every foundation if the practices do not fit with the foundation's established identity.

In terms of policy implications, this study shows that, like other types of organizations, foundation behavior is constrained by organizational factors. The findings suggest that when practices require low investments of expertise, organizational factors are less likely to prevent adoption. The results of this study emphasize the need for policymakers, seeking to shape foundation behavior, to consider the impact of foundation capacity, structure and operating orientation when assessing whether or not foundations are positioned to adopt certain practices.

In light of current discussions of the possibility of the federal government requiring foundations to report results of impacts on their tax forms (Panel on the Nonprofit Sector, 2005), the findings of the evaluation model have the most policy relevance. The results indicate that requiring all foundations to report impact measures would place a burden on smaller and younger foundations that lack the capacity to evaluate their grants.



#### **8.4 Limitations and Future Research Directions**

The sample on which this study is based has some important limitations, so I must reiterate here the need to be cautious in over generalizing the results. As noted in chapter five, the foundations included in this study are not representative of the general population of foundations. The data are from a non-random sample of GEO members who are all predisposed toward an effectiveness orientation. The foundations in this study are larger in terms of staff size and assets, have more focused giving, and are more likely to assume a catalytic role.

The limitations notwithstanding, the results of this study provide insights into the behavior of foundations that, at the very least, points to variables to be considered in future studies of foundation behavior including: measures of grantmaking orientation (especially strategic direction), regional variables that capture cultural differences, and measures of organizational structure.

Although this study extends the variables used to understand foundation behavior, the scope is still limited. Through the theoretical and methodological approaches chosen for this study, there is an inherent assumption that the adoption process can be understood by treating organizational and environmental factors as variables whose impacts can be isolated and quantified. This approach also assumes that individuals making the adoption decision make rational and technically efficient choices about whether or not to adopt. A recent study by Abrahamson (1991) that connects the organizational innovativeness literature to institutional theory suggests that rather than a rational decision framework, potential adopters are influenced by fads and fashions and the desire for institutional respectability. While I believe that there is a lot to learn about foundation adoptive

behavior using this approach, I do not believe that a full understanding can be achieved. An alternative approach that relies mainly on qualitative methods contends that the determinants of adoption interact in a complex and random way with one another (Greenhalgh, 2004). Through a qualitative study of foundation adoption behavior, we might be able to gain a deeper understanding of the non-structural organizational characteristics that influence adoption, such as the climate for change within the organization and leadership support for a practice. Additionally, an in-depth qualitative analysis can further refine the environmental context of foundations, which had a very limited operationalization in the current study, to understand factors including the interorganizational networks of foundations and the effect of intentional change strategies like the current effectiveness movement. These are all areas for future research that can be beneficial toward advancing a theory of foundation behavior.

## APPENDIX A

### List of Survey Questions in the GEO 2005 Member Survey

Table A1. List of Survey Questions in the GEO 2005 Member Survey

1. How many full-time equivalent (FTE) staff are currently employed by your organization?
2. How many individuals currently serve on the board of directors?
3. How would you describe your grantmaking organization?
- 3a. Other type of grantmaking organization
4. For which of the following specific capacity-building activities does the organization provide grant support?
- 4a. strategic planning
- 4b. board development
- 4c. leadership development
- 4d. social entrepreneurship ventures
- 4e. program replication
- 4f. collaboration efforts
- 4g. financial systems
- 4h. Facility planning and development
- 4i. fund development
- 4j. human resources management and training
- 4k. Legal development
- 4l. Marketing and communications
- 4m. Evaluation
- 4n. Technology and information systems development
- 4o. Enhancing operations
- 4p. Designing and developing programs
- 4q. Staff development and training
- 4r. has the organization provided Professional Consulting and Services to its grantees in addition to funding as a means to increase their capacity?
- 4s. has the organization provided Management Assistance to its grantees in addition to funding as a means to increase their capacity?
- 4t. has the organization provided Convenings and Peer Exchanges to its grantees in addition to funding as a means to increase their capacity?
- 4u. has the organization provided Trainings and Seminars to its grantees in addition to funding as a means to increase their capacity?
- 4v. None, the organization does not provide support in addition to funding
- 4w. Other
- 4x. Other text
5. In the past year did your organization support capacity-building activities among its grantees?
- 5a. Did the organization grant specifically for CB Activities?
- 5b. Did the organization provide General Operating Support Grants?
- 5c. Did the organization provide Capital Financing?
- 5d. Did the organization provide Direct Assistance through Foundation staff?

- 5e. Did the organization provide grant support to MSOs?
- 5f. Did the organization provide grants to researchers and educators?  
Support beyond funding: yes no
6. Does your organization have staff devoted to organizational effectiveness work?
- 6a. If yes, how many staff are responsible for OE activities?
- 6b. Does your organization have a 'free-standing' organizational effectiveness program?
- 6c. If yes, what is the program's budget?
7. Approximately what percentage of your organization's annual grantmaking budget is devoted to organizational effectiveness?
8. Does your organization regularly examine its internal organizational effectiveness?
- 8a. If Yes, by what methods?
9. In the past year, has your organization made any concrete changes to its organizational effectiveness activities/practices?
- 9a. Please briefly describe the changes.
10. In the past year, has your organization funded any research on organizational effectiveness issues?
- 10a. Please describe briefly
11. In the past year, has your organization conducted its own research on organizational effectiveness issues?
- 11a. Please describe briefly
12. How often did each of the following apply to the org's applications and review process during the past 2 years:
- 12a. Unsolicited applications received serious consideration
- 12b. Written grant guidelines were available to the public
- 12c. A common application form was accepted
- 12d. Applications were accepted electronically
- 12e. Summary proposal encouraged/required prior to full proposal
- 12f. Staff helped applicants develop proposals
- 12g. Staff or trustees conducted site visits
- 12h. Applicants of rejected proposals were notified
13. Does the organization conduct formal evaluations of its work?
14. Does your organization currently have staff responsible for evaluation?
- 14a. How many staff are responsible for evaluation?
- 14b. What is the evaluation staff's and/or department's title?
15. In the last fiscal year, what percentage of your total grants budget was spent on evaluation of the programs you fund?
16. Does your organization have a formal process for regularly gathering feedback from grantees about the organization's work?
- 16a. If yes, by what methods?
17. Why does your organization conduct formal evaluations of its work:
- 17a. To learn whether original objectives were achieved
- 17b. To learn about implementation of funded work
- 17c. To learn about outcomes of funded work
- 17d. To contribute to knowledge in the field
- 17e. To strengthen organizational practices in the field
- 17f. To strengthen public policy

- 17g. To strengthen its future grantmaking
- 17h. Please indicate any other very important reasons
- 18. For whom are the results of the grantmaking organization's evaluations intended:
  - 18a. Grantee organizations
  - 18b. Other nonprofits in the grantees field
  - 18c. Grantmaking organization staff
  - 18d. Grantmaking organization board
  - 18e. Policymakers
  - 18f. Other grantmakers
  - 18g. Please list others for whom results are mainly intended
- 19. During the past 2 years, did your org engage in any of the following activities to help evaluate its own performance:
  - 19a. Conduct a strategic planning process
  - 19b. Conduct a board retreat
  - 19c. Conduct formal reviews of staff performance
  - 19d. Review grants for consistency with stated organizational priorities
  - 19e. Compare itself to other foundations
  - 19f. Conduct a needs assessment of its field or community
  - 19g. Solicit anonymous feedback from grantees through surveys/interviews/focus groups
  - 19h. Solicit non-anonymous feedback from grantees through surveys/interviews/focus groups
  - 19i. Other important activities
- 20. Does your organization have a knowledge management effort underway?
- 21. Primary reasons for engaging in knowledge management efforts:
  - 21a. To enable our organization to make better decisions
  - 21b. To share learning among grantees
  - 21c. To be more efficient (save time and resources)
  - 21d. To share what we're learning with fellow funders
  - 21e. Other reasons for knowledge management
- 22. How would you rate the development of your current knowledge management efforts?
- 23. Types of knowledge management initiatives are either planned for or implemented at your foundation:
  - 23a. Research function
  - 23b. Internal library/resource center
  - 23c. Capturing knowledge through program and grant evaluation
  - 23d. Knowledge-sharing sessions for staff
  - 23e. Knowledge-sharing with partners
  - 23f. Staff intranet
  - 23g. Web site
  - 23h. Grants management system
  - 23i. Document management
  - 23j. Taxonomy/classification scheme for knowledge
  - 23k. other types of knowledge management initiatives
  - 23l. other types of knowledge management initiatives
- 24. In the past fiscal year, what % of your total operating budget was spent on knowledge management

25. Is the quality of leadership something that your organization specifically assesses through your due diligence process before selecting grantees?
26. Does your organization directly support leadership development of grantees
27. What your org intends to accomplish by supporting leadership development:
  - 27a. To build the capacity of individuals to lead orgs
  - 27b. To build the capacity of current grantees staff to be effective at their jobs
  - 27c. To build capacity of a cohort of board and/or senior management to lead a grantee org
  - 27d. To build capacity of local residents to serve in community leadership roles
  - 27e. To build leadership capacity for a field
28. Does your organization financially support:
  - 28a. Leadership skills training
  - 28b. Management skills training
  - 28c. Peer exchanges/learning circles
  - 28d. Sabbaticals
  - 28e. Recognition/awards
  - 28f. Coaching
  - 28g. Leadership transition
  - 28h. Assessment/360 review
  - 28i. Grantee board development
  - 28j. Other things supported
  - 28k. Other things supported
29. Provided directly through your organization:
  - 29a. Leadership skills training
  - 29b. Management skills training
  - 29c. Peer exchanges/learning circles
  - 29d. Coaching
  - 29e. Board development
  - 29f. Other activities provided directly through your organization
  - 29g. Other activities provided directly through your organization
30. What are the two biggest obstacles you are struggling with related to leadership development
31. What are your top three information sources on leadership development
32. How long has your organization supported leadership development
33. Have you evaluated the effectiveness of your leadership development support
  - 33a. Please describe your leadership effectiveness evaluation efforts
  - 33b. Would you be willing to share results of this evaluation
34. How long have you been in your current position?
35. How long have you worked in the field of philanthropy?
36. Prior to working in the field of philanthropy in what sector did you work?
  - 36a. text
37. In your current position do you support grantee capacity building by consulting directly with grantees on organizational CB?
  - 37a. In your current position do you refer grantees to CB resources?
  - 37b. In your current position do you lead workshops for grantees on building CB?
  - 37c. In your current position do you help fundraise?

- 37d. In your current position do you do other activities?
- 37e. Other ways supporting grantees in current position
- 38a. Do you have capacity building experience in general operating support grants
- 38b. Do you have capacity building experience in strategic planning
- 38c. Do you have capacity building experience in board development
- 38d. Do you have capacity building experience in leadership development
- 38e. Do you have capacity building experience in social enterprise ventures
- 38f. Do you have capacity building experience in collaboration efforts
- 38g. Do you have capacity building experience in financial systems
- 38h. Do you have capacity building experience in facility planning and development
- 38i. Do you have capacity building experience in fund development
- 38j. Do you have capacity building experience in human resources management and training
- 38k. Do you have capacity building experience in legal development
- 38l. Do you have capacity building experience in marketing and communications
- 38m. Do you have capacity building experience in evaluation
- 38n. Do you have capacity building experience in technology and information systems development
- 38o. Do you have capacity building experience in designing and developing programs
- 38p. Do you have capacity building experience in staff development and training
- 38q. Do you have capacity building experience in capital financing
- 38r. Do you have capacity building experience in direct assistance through foundation staff
- 38s. Do you have capacity building experience in grant support to MSOs
- 38t. Do you have capacity building experience in grants to researchers and educators
- 39. As a professional in the field are you primarily interested in GEO as its work relates to:
- 40. Thinking on behalf of your organization, is your org primarily interested in GEO as its work relates to:
- 41. What emerging issues do you believe are the most relevant to the field
- 42. What is your age?
- 43. What is your gender?
- 44. What is your ethnicity/race:
- 44a. African American
- 44b. Asian/PI/South Asian
- 44c. European/White
- 44d. Latina/o
- 44e. Native American
- 44f. Other
- 45. What is your role at your organization
- 45a. Other role
- 46. What year(s) survey completed



## APPENDIX B

### Full Data Analysis Results

Table B1. Summary Statistics

	Mean	Standard Deviation	Minimum	Maximum
<b>Effectiveness Practices</b>				
Economic Development	68%	0.471	0	1
Knowledge Management	38%	0.487	0	1
Leadership development	68%	0.471	0	1
Operating grants	72%	0.452	0	1
<b>Independent Variables:</b>				
<b>Organizational Capacity</b>				
Foundation Staff Size	27.05	60.76	0	500
0 staff	2%	0.126	0	1
1-5 staff	34%	0.475	0	1
6-10 staff	20%	0.403	0	1
11-25 staff	19%	0.397	0	1
26-50 staff	15%	0.362	0	1
over 50 staff	10%	0.297	0	1
Total Assets	\$483 M	\$1.27 B	\$26,127	\$8.9 B
\$10,000,000 or less	18%	0.389	0	1
\$10,000,001-\$50,000,000	18%	0.383	0	1
\$50,000,001-\$100,000,000	13%	0.338	0	1
\$100,000,001-\$400,000,000	31%	0.46	0	1
Greater than \$400,000,000	0.2	0.407	0	1
Total Giving	\$24 M	\$54 M	\$22,313	\$359 M
less than \$1,000,000	25%	0.432	0	1
\$1,000,001 to \$25,000,000	53%	0.501	0	1
\$25,000,001 to \$100,000,000	17%	0.376	0	1
Greater than \$100,000,000	5%	0.226	0	1
Foundation Age	3230%	24.04	3	95
0-15 (1990-2005)	35%	0.477	0	1
16-36 (1969-1989)	25%	0.432	0	1
37 or older (before 1969)	41%	0.493	0	1
<b>Organizational Structure</b>				
<b>Foundation Type</b>				
Private Foundation	32%	0.466	0	1
Family Foundation	28%	0.453	0	1
Community Foundation	21%	0.407	0	1
Corporate Foundation	3%	0.173	0	1
Grantmaking Public Charity	16%	0.369	0	1
<b>Operating Environment</b>				
<b>Region Located</b>				
West	26%	0.441	0	1
Midwest	27%	0.445	0	1
South	21%	0.407	0	1
Northeast	26%	0.441	0	1
<b>Grantmaking Orientation</b>				
<b>Geographic Grantmaking Focus</b>				
Local	8%	0.267	0	1
State	56%	0.498	0	1
Regional	11%	0.311	0	1
National	15%	0.354	0	1
International	11%	0.311	0	1
<b>Sector Focus</b>				
Narrow (2 or fewer)	48%	0.501	0	1
Problem Solving Catalyst	43%	0.497	0	1

Table B2. Correlation Results

[illegible]

Table B3. Difference in Means Between Evaluation Adopters and Non-Adopters

	Adopters	Non-Adopters	
<b>Organizational Capacity</b>			
Foundation Staff Size			
0 staff	0%	5%	**
1-5 staff	23%	51%	**
6-10 staff	19%	22%	
11-25 staff	19%	19%	
26-50 staff	23%	0%	**
over 50 staff	14%	3%	
Total Assets			
\$10,000,000 or less	16%	24%	
\$10,000,001-\$50,000,000	10%	29%	**
\$50,000,001-\$100,000,000	16%	11%	
\$100,000,001-\$400,000,000	26%	32%	
Greater than \$400,000,000	30%	5%	**
Total Giving			
less than \$1,000,000	18%	39%	**
\$1,000,001 to \$25,000,000	51%	53%	**
\$25,000,001 to \$100,000,000	24%	5%	
Greater than \$100,000,000	8%	3%	
Foundation Age			
0-15 (1990-2005)	32%	34%	
16-36 (1969-1989)	22%	26%	
37 or older (before 1969)	47%	39%	
<b>Organizational Structure</b>			
Foundation Type			
Private Foundation	32%	29%	
Family Foundation	24%	40%	
Community Foundation	20%	18%	
Corporate Foundation	4%	3%	
Grantmaking Public Charity	20%	11%	
Pass-thru Foundation	8%	11%	
<b>Operating Environment</b>			
Region Located			
West	22%	32%	**
Midwest	37%	16%	
South	17%	32%	
Northeast	25%	21%	
<b>Grantmaking Orientation</b>			
Geographic Grantmaking Focus			
Local	6%	5%	
State	53%	63%	
Regional	14%	5%	
National	15%	16%	
International	11%	11%	

Table B3 (continued)

Sector Focus			
Narrow (2 or fewer)	44%	53%	
Problem Solving Catalyst	56%	26%	**
Other Effectiveness Practices			
Knowledge Management	47%	18%	**
Leadership development	74%	53%	**
Operating grants	69%	85%	
** significant difference at .05 level or less			

Table B4. Difference in Means Between Knowledge Management Adopters and Non-Adopters

	Adopters	Non-Adopters
<b>Organizational Capacity</b>		
Foundation Staff Size		
0 staff	2%	1%
1-5 staff	19%	39% **
6-10 staff	19%	20%
11-25 staff	12%	25%
26-50 staff	29%	9% **
over 50 staff	19%	6% **
Total Assets		
\$10,000,000 or less	26%	14%
\$10,000,001-\$50,000,000	9%	20%
\$50,000,001-\$100,000,000	9%	17%
\$100,000,001-\$400,000,000	21%	34%
Greater than \$400,000,000	35%	15% **
Total Giving		
less than \$1,000,000	26%	24%
\$1,000,001 to \$25,000,000	37%	59% **
\$25,000,001 to \$100,000,000	28%	13% **
Greater than \$100,000,000	9%	4%
Foundation Age		
0-15 (1990-2005)	37%	31%
16-36 (1969-1989)	16%	25%
37 or older (before 1969)	47%	44%
<b>Organizational Structure</b>		
Foundation Type		
Private Foundation	30%	31%
Family Foundation	23%	34%
Community Foundation	19%	20%
Corporate Foundation	5%	3%
Grantmaking Public Charity	23%	13%
Pass-thru Foundation	12%	7%
<b>Operating Environment</b>		
Region Located		
West	23%	27%
Midwest	26%	31%
South	16%	24%
Northeast	35%	18% **
<b>Grantmaking Orientation</b>		
Geographic Grantmaking Focus		
Local	5%	6%
State	53%	59%
Regional	9%	13%
National	19%	14%
International	14%	8%

Table B4 (continued)

Sector Focus		
Narrow (2 or fewer)	44%	46%
Problem Solving Catalyst	58%	41%
Other Effectiveness Practices		
Program Evaluation	86%	60% **
Leadership development	81%	59% **
Operating grants	71%	77%
**		significant difference at .05 level or less

Table B5. Difference in Means Between Leadership Development Adopters and Non-Adopters

	Adopters	Non-Adopters
<b>Organizational Capacity</b>		
Foundation Staff Size		
0 staff	1%	3%
1-5 staff	29%	42%
6-10 staff	19%	22%
11-25 staff	19%	19%
26-50 staff	19%	8%
over 50 staff	13%	6%
Total Assets		
\$10,000,000 or less	22%	16%
\$10,000,001-\$50,000,000	14%	21%
\$50,000,001-\$100,000,000	15%	13%
\$100,000,001-\$400,000,000	22%	39%**
Greater than \$400,000,000	28%	11%**
Total Giving		
less than \$1,000,000	24%	29%
\$1,000,001 to \$25,000,000	48%	55%
\$25,000,001 to \$100,000,000	19%	16%
Greater than \$100,000,000	9%	0%
Foundation Age		
0-15 (1990-2005)	30%	39%
16-36 (1969-1989)	24%	21%
37 or older (before 1969)	46%	39%
<b>Organizational Structure</b>		
Foundation Type		
Private Foundation	33%	26%
Family Foundation	27%	37%
Community Foundation	19%	21%
Corporate Foundation	3%	5%
Grantmaking Public Charity	19%	11%
Pass-thru Foundation	13%	3%
<b>Operating Environment</b>		
Region Located		
West	29%	18%
Midwest	28%	32%
South	18%	29%
Northeast	25%	21%



Table B5 (continued)

Grantmaking Orientation

Geographic Grantmaking Focus

Local	3%	13% **
State	59%	50%
Regional	13%	8%
National	13%	21%
International	13%	8%

Sector Focus

Narrow (2 or fewer)	47%	50%
---------------------	-----	-----

Problem Solving Catalyst

58%	21% **
-----	--------

Other Effectiveness Practices

Program Evaluation	74%	53% **
Knowledge management	46%	22% **
Operating grants	74%	74%

\*\*

significant difference at .05 level or less

Table B6. Difference in Means Between Operating Grants Adopters and Non-Adopters

	Adopters	Non-Adopters
<b>Organizational Capacity</b>		
Foundation Staff Size		
0 staff	0%	3%
1-5 staff	38%	16% **
6-10 staff	20%	25%
11-25 staff	21%	19%
26-50 staff	11%	25%
over 50 staff	10%	13%
Total Assets		
\$10,000,000 or less	16%	27%
\$10,000,001-\$50,000,000	15%	12%
\$50,000,001-\$100,000,000	15%	9%
\$100,000,001-\$400,000,000	32%	27%
Greater than \$400,000,000	20%	24%
Total Giving		
less than \$1,000,000	21%	27%
\$1,000,001 to \$25,000,000	55%	52%
\$25,000,001 to \$100,000,000	18%	15%
Greater than \$100,000,000	6%	6%
Foundation Age		
0-15 (1990-2005)	32%	39%
16-36 (1969-1989)	25%	18%
37 or older (before 1969)	43%	42%
<b>Organizational Structure</b>		
Foundation Type		
Private Foundation	33%	36%
Family Foundation	31%	9% **
Community Foundation	19%	24%
Corporate Foundation	4%	3%
Grantmaking Public Charity	13%	27%
Pass-thru Foundation	10%	9%
<b>Operating Environment</b>		
Region Located		
West	29%	24%
Midwest	27%	18%
South	21%	24%
Northeast	23%	33%

Table B6 (continued)

Grantmaking Orientation

Geographic Grantmaking Focus

Local	7%	6%
State	56%	61%
Regional	14%	6%
National	7%	24% **
International	15%	3%

Sector Focus

Narrow (2 or fewer)	46%	45%
---------------------	-----	-----

Problem Solving Catalyst

54%	33% **
-----	--------

Other Effectiveness Practices

Program Evaluation	65%	82%
Knowledge management	37%	44%
Leadership development	71%	71%

\*\*

significant difference at .05 level or less

Table B7. Evaluation Logistic Regression Results

Variable		Model 1	Model 2	Model 3	Model 4
<b>Organizational Capacity</b>					
Assets (ln)		.328*** (.1147)	.311*** (.1180)	.376*** (.1277)	.468*** (.1584)
Foundation Age		-.004 (.0103)	.003 (.0115)	-.002 (.0123)	.003 (.0142)
Assets*Age		.011** (.0053)	.009* (.0055)	.011* (.0059)	.013* (.0070)
<b>Organizational Structure</b>					
Type (Control= Private)	Family		-.438 (.5666)	-.349 (.6015)	-.379 (.6786)
	Community		-.204 (.6315)	-.309 (.6699)	-.672 (.8946)
	Corporate		.482 (1.249)	.721 (1.299)	.742 (1.446)
	Grantmaking Public Charity		.845 (.7109)	1.18 (.7956)	1.99** (.9612)
<b>Operating Environment</b>					
Region (Control= Northeast)	West			-1.06 (.6899)	-1.74** (.8490)
	Midwest			.631 (.7162)	.827 (.8265)
	South			-.955 (.6687)	-1.29* (.7734)
<b>Grantmaking Orientation</b>					
Geographic Grantmaking Focus (Control= Local)	State				-.984 (1.266)
	Regional				1.46 (1.605)
	National				-.683 (1.455)
	International				.207 (1.530)
Narrow Sector Focus					-.236 (.6165)
Problem Solving Catalyst					2.06*** (.6473)
		N=116	N=116	N=116	N=116
		Count R <sup>2</sup> = .698	Count R <sup>2</sup> = .716	Count R <sup>2</sup> = .698	Count R <sup>2</sup> = .784
Logistic Regression coefficients are in log odds format; standard errors are in parentheses ( ); significance levels are *p<0.10, **p<0.05, ***p<0.01. Assets and age are centered to the mean.					

Table B8. Knowledge Management Logistic Regression Results

Variable		Model 1	Model 2	Model 3	Model 4
<b>Organizational Capacity</b>					
Assets (ln)		.002 (.1026)	-.012 (.1087)	-.006 (.1113)	-.062 (.1224)
Foundation Age		.001 (.0102)	.007 (.0112)	.006 (.0116)	.011 (.0127)
Assets*Age		.010** (.0042)	.009** (.0044)	.009** (.0044)	.009* (.0049)
<b>Organizational Structure</b>					
Type (Control= Private)	Family		-.411 (.5569)	-.540 (.5777)	-.622 (.6171)
	Community		-.241 (.6115)	-.248 (.6231)	-.463 (.7598)
	Corporate		.451 (1.098)	.227 (1.157)	.340 (1.213)
	Grantmaking Public Charity		.674 (.6171)	.577 (.6371)	.644 (.6822)
<b>Operating Environment</b>					
Region (Control= Northeast)	West			-.772 (.5957)	-.872 (.6298)
	Midwest			-.883 (.5826)	-.880 (.6311)
	South			-.923 (.6241)	-1.04 (.6596)
<b>Grantmaking Orientation</b>					
Geographic Grantmaking Focus (Control= Local)	State				-.624 (1.109)
	Regional				-1.17 (1.325)
	National				-.259 (1.305)
	International				.203 (1.372)
Narrow Sector Focus					.184 (.5197)
Problem Solving Catalyst					.966** (.4681)
		N=113	N=113	N=113	N=113
		Count R <sup>2</sup> =.690	Count R <sup>2</sup> =.717	Count R <sup>2</sup> =.699	Count R <sup>2</sup> =.717
<i>Logistic Regression coefficients are in log odds format; standard errors are in parentheses ( ); significance levels are *p&lt;0.10, **p&lt;0.05, ***p&lt;0.01. Assets and age are centered to the mean.</i>					

Table B9. Leadership Development Logistic Regression Results

Variable		Model 1	Model 2	Model 3	Model 4
<b>Organizational Capacity</b>					
Assets (ln)		.024 (.0960)	-.010 (.1018)	-.027 (.1044)	-.078 (.1197)
Foundation Age		.002 (.0099)	.010 (.0111)	.011 (.0114)	.011 (.0133)
Assets*Age		.004 (.0042)	.003 (.0043)	.003 (.0044)	.003 (.0051)
<b>Organizational Structure</b>					
Type (Control= Private)	Family		-.588 (.5422)	-.674 (.5559)	-.619 (.6088)
	Community		-.435 (.5978)	-.518 (.6080)	-.355 (.8099)
	Corporate		-.994 (1.085)	-.954 (1.116)	-.944 (1.243)
	Grantmaking Public Charity		.536 (.6990)	.303 (.7201)	.384 (.8094)
<b>Operating Environment</b>					
Region (Control= Northeast)	West			.352 (.6375)	.225 (.6875)
	Midwest			-.289 (.5917)	.015 (.6787)
	South			-.510 (.6051)	-.352 (.6692)
<b>Grantmaking Orientation</b>					
Geographic Grantmaking Focus (Control= Local)	State				1.75 (1.140)
	Regional				2.20 (1.393)
	National				1.42 (1.346)
	International				2.35 (1.453)
Narrow Sector Focus					-.183 (.5524)
Problem Solving Catalyst					1.71*** (.5163)
		N=116	N=116	N=116	N=116
		Count R <sup>2</sup> =.672	Count R <sup>2</sup> =.672	Count R <sup>2</sup> =.664	Count R <sup>2</sup> =.767
Logistic Regression coefficients are in log odds format; standard errors are in parentheses ( ); significance levels are *p<0.10, **p<0.05, ***p<0.01. Assets and age are centered to the mean.					

Table B10. Operating Grants Logistic Regression Results

Variable		Model 1	Model 2	Model 3	Model 4
<b>Organizational Capacity</b>					
Assets (ln)		-.041 (.1088)	.017 (.1216)	.008 (.1256)	.078 (.1470)
Foundation Age		.009 (.0121)	-.002 (.0136)	-.003 (.0144)	-.001 (.0167)
Assets*Age		-.013*** (.0048)	-.011** (.0052)	-.011** (.0053)	-.011* (.0060)
<b>Organizational Structure</b>					
Type (Control= Private)	Family		1.41* (.7499)	1.66** (.7786)	1.42* (.8705)
	Community		-.063 (.5998)	-.190 (.6188)	-.736 (.8829)
	Corporate		.377 (1.269)	.813 (1.283)	.980 (1.489)
	Grantmaking Public Charity		-.607 (.6225)	-.642 (.6604)	-1.04 (.7676)
<b>Operating Environment</b>					
Region (Control= Northeast)	West			.665 (.6398)	.528 (.6856)
	Midwest			1.11* (.6756)	.975 (.7345)
	South			-.018 (.6334)	-.069 (.7176)
<b>Grantmaking Orientation</b>					
Geographic Grantmaking Focus	State				-.586 (1.158)
	Regional				.522 (1.570)
	National				-1.72 (1.557)
	International				1.77 (1.714)
Narrow Sector Focus					-.227 (.6623)
Problem Solving Catalyst					.881* (.5307)
		N=116 Count R <sup>2</sup> = .707	N=116 Count R <sup>2</sup> =.733	N=116 Count R <sup>2</sup> =.733	N=116 Count R <sup>2</sup> =.767
Logistic Regression coefficients are in log odds format; standard errors are in parentheses ( ); significance levels are *p<0.10, **p<0.05, ***p<0.01. Assets and age are centered to the mean.					

Table B11. Evaluation Interaction Effect Analysis

Variable	Model 1	Model 2	Model 3	Model 4
Mean Interaction Term	.002	.002	.002	.002
Minimum Interaction Term	-.001	-.000	-.001	-.002
Maximum Interaction Term	.003	.003	.003	.005
Mean Z-statistic	1.53	1.07	1.09	.832
Minimum Z-statistic	-3.33	-2.44	-1.66	-1.18
Maximum Z-Statistic	2.90	2.12	2.38	1.95

Table B12. Knowledge Management Interaction Effect Analysis

Variable	Model 1	Model 2	Model 3	Model 4
Mean Interaction Term	.002	.002	.002	.002
Minimum Interaction Term	-.000	-.000	-.000	-.000
Maximum Interaction Term	.003	.003	.003	.003
Mean Z-statistic	2.18	1.81	1.60	1.28
Minimum Z-statistic	-.094	-.214	-.235	-.354
Maximum Z-Statistic	3.29	2.75	2.34	2.32

Table B13. Leadership Development Interaction Effect Analysis

Variable	Model 1	Model 2	Model 3	Model 4
Mean Interaction Term	.001	.001	.001	.001
Minimum Interaction Term	.000	.000	.000	.000
Maximum Interaction Term	.002	.002	.002	.002
Mean Z-statistic	1.01	.725	.685	.671
Minimum Z-statistic	.405	.306	.467	.249
Maximum Z-Statistic	1.48	1.21	1.21	1.22



Table B14. Operating Grants Interaction Effect Analysis

Variable	Model 1	Model 2	Model 3	Model 4
Mean Interaction Term	-.002	-.002	-.002	-.002
Minimum Interaction Term	-.004	-.004	-.004	-.004
Maximum Interaction Term	.000	.000	.000	.000
Mean Z-statistic	-2.23	-1.55	-1.41	-1.09
Minimum Z-statistic	-3.45	-2.69	-2.65	-2.15
Maximum Z-Statistic	.354	.811	.780	.620

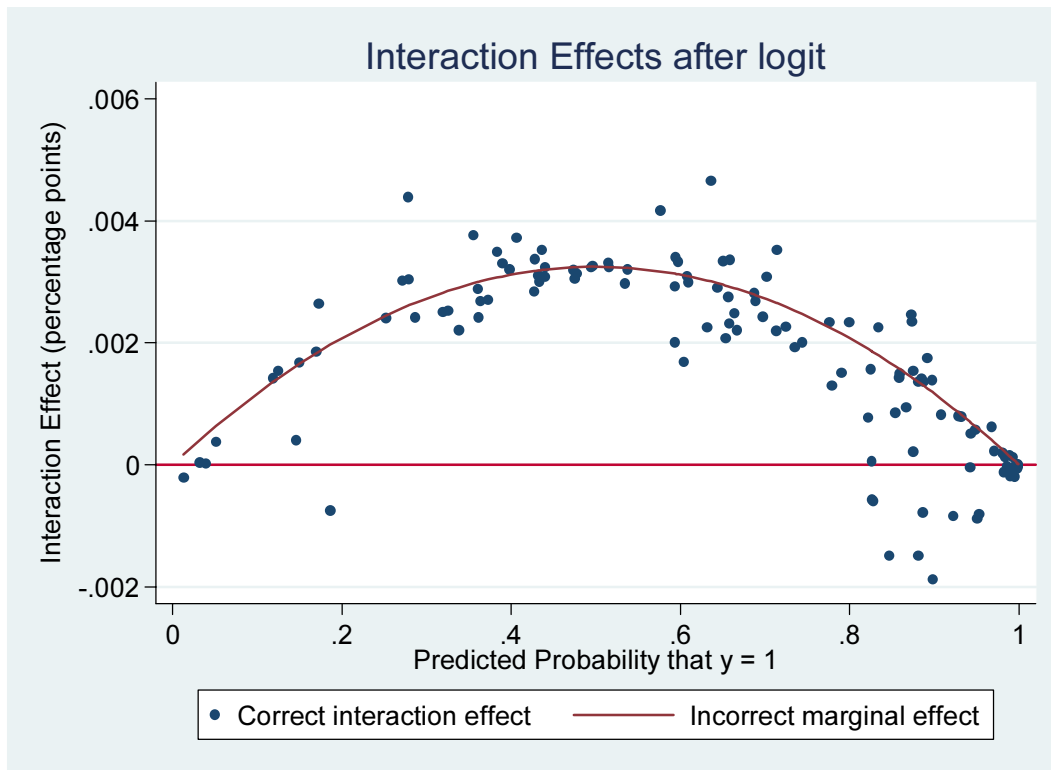


Figure B1. Distribution of Interaction Effects in Evaluation Adoption Model 4

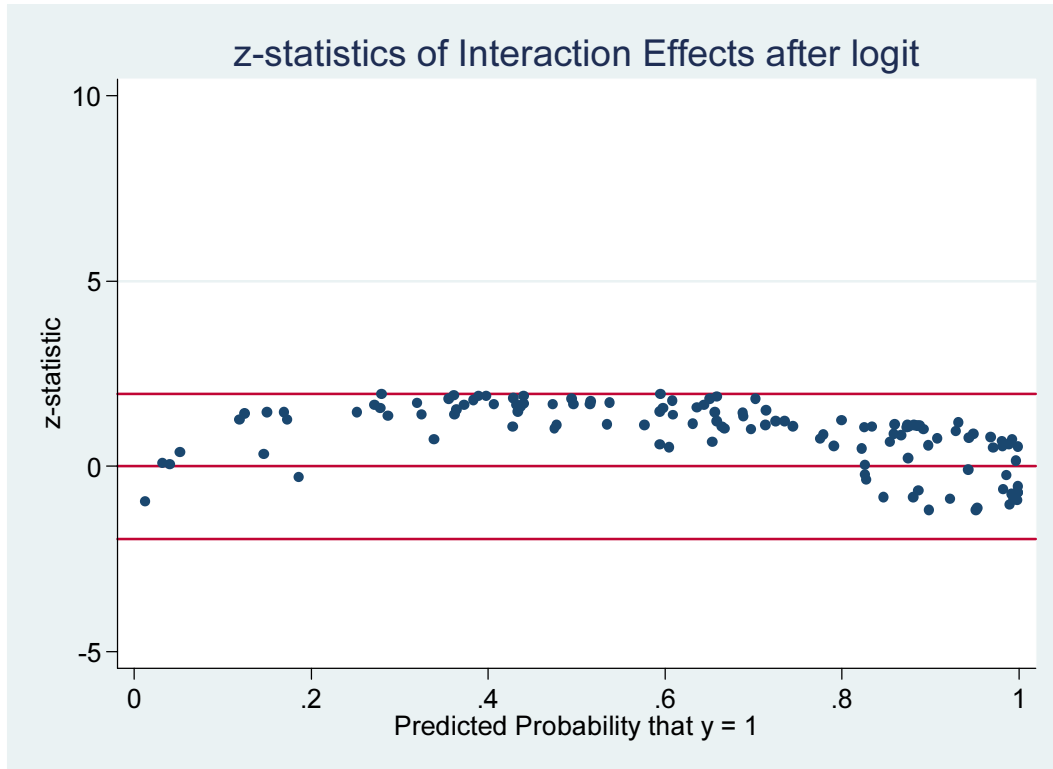


Figure B2. Statistical Significance of Interaction Effects in Evaluation Adoption Model 4

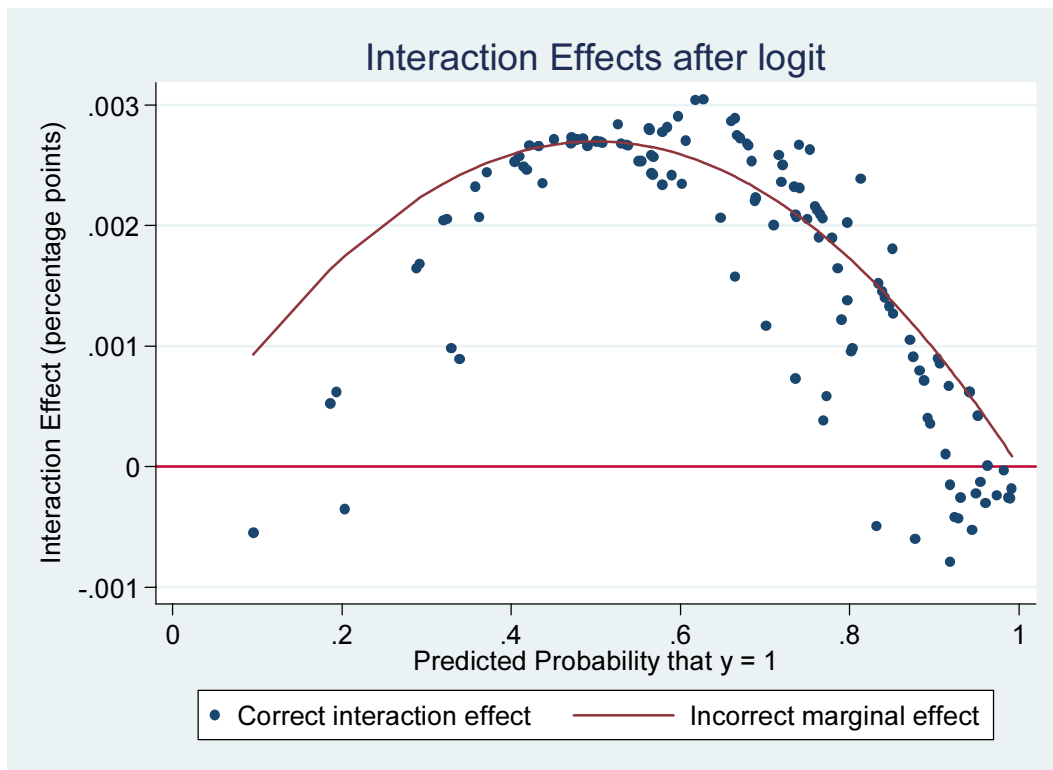


Figure B3. Distribution of Interaction Effects in Evaluation Adoption Model 3

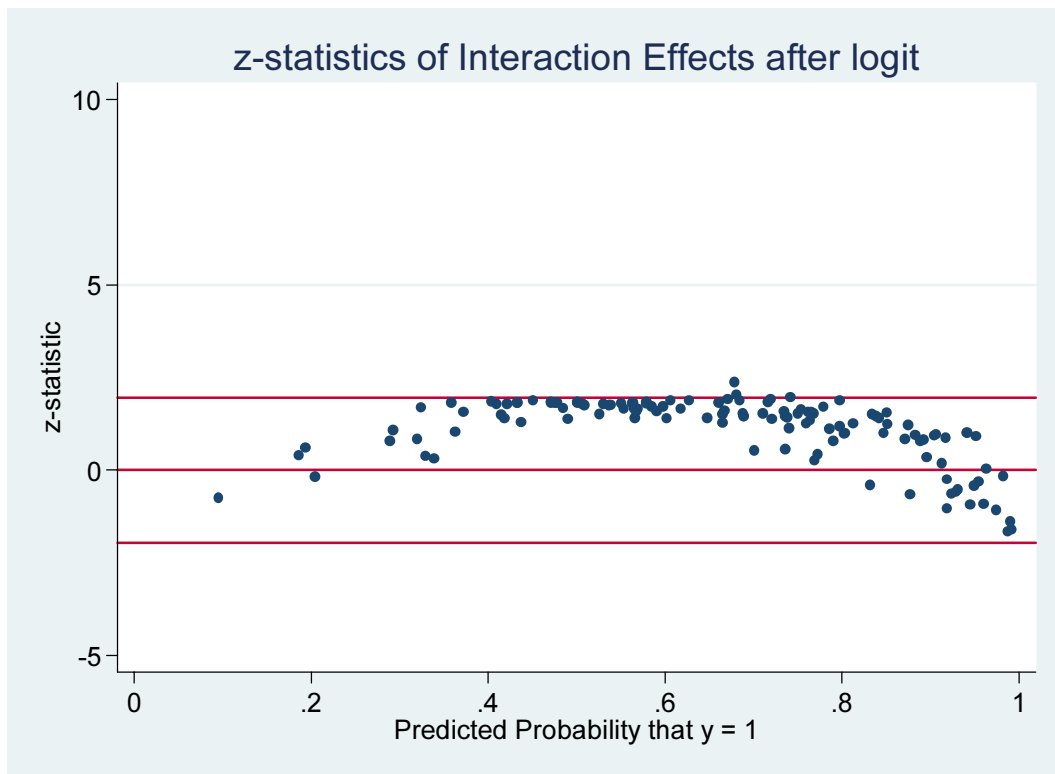


Figure B4. Statistical Significance of Interaction Effects in Evaluation Adoption Model 3

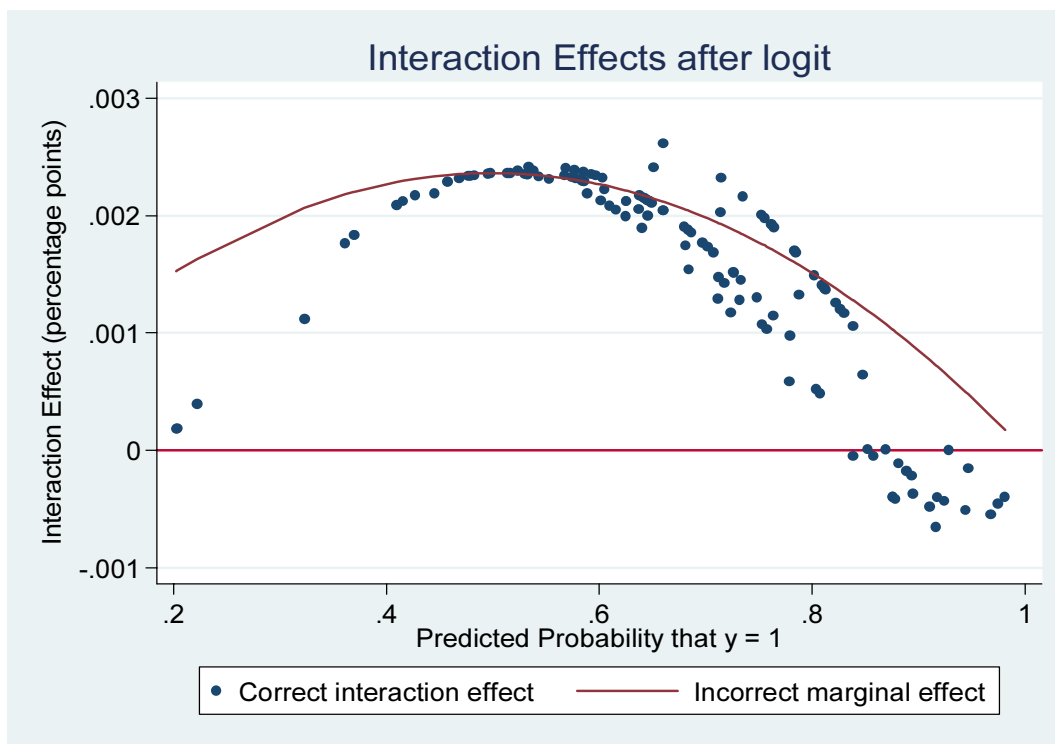


Figure B5. Distribution of Interaction Effects in Evaluation Adoption Model 2

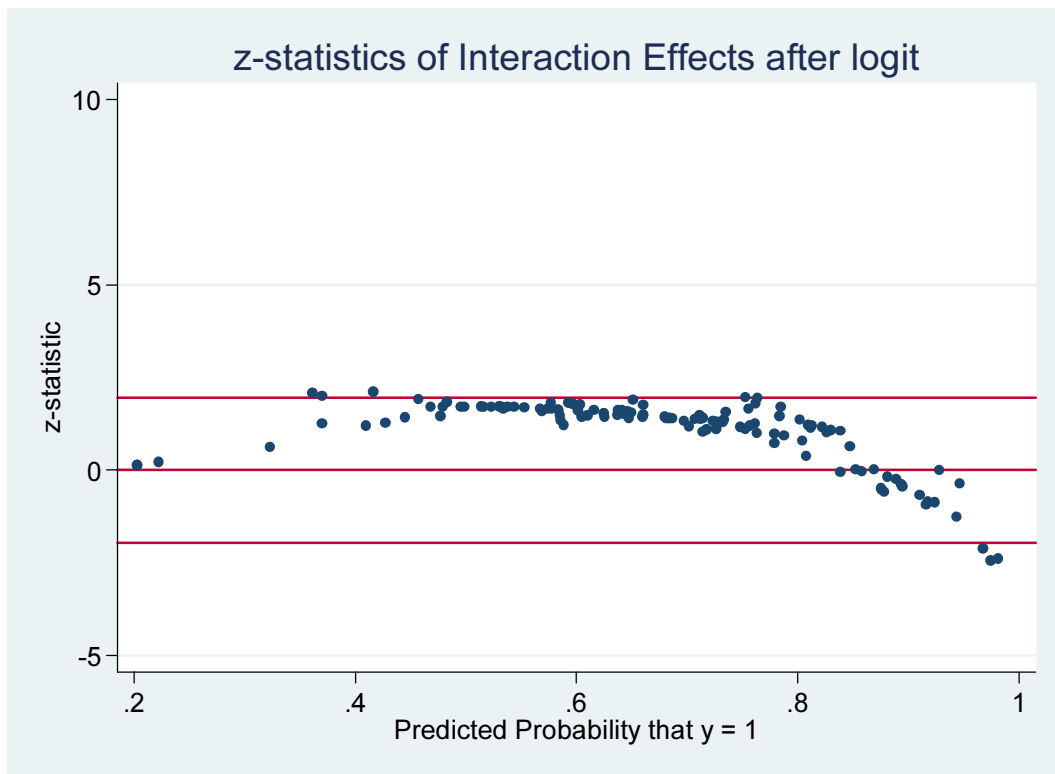


Figure B6. Statistical Significance of Interaction Effects in Evaluation Adoption Model 2

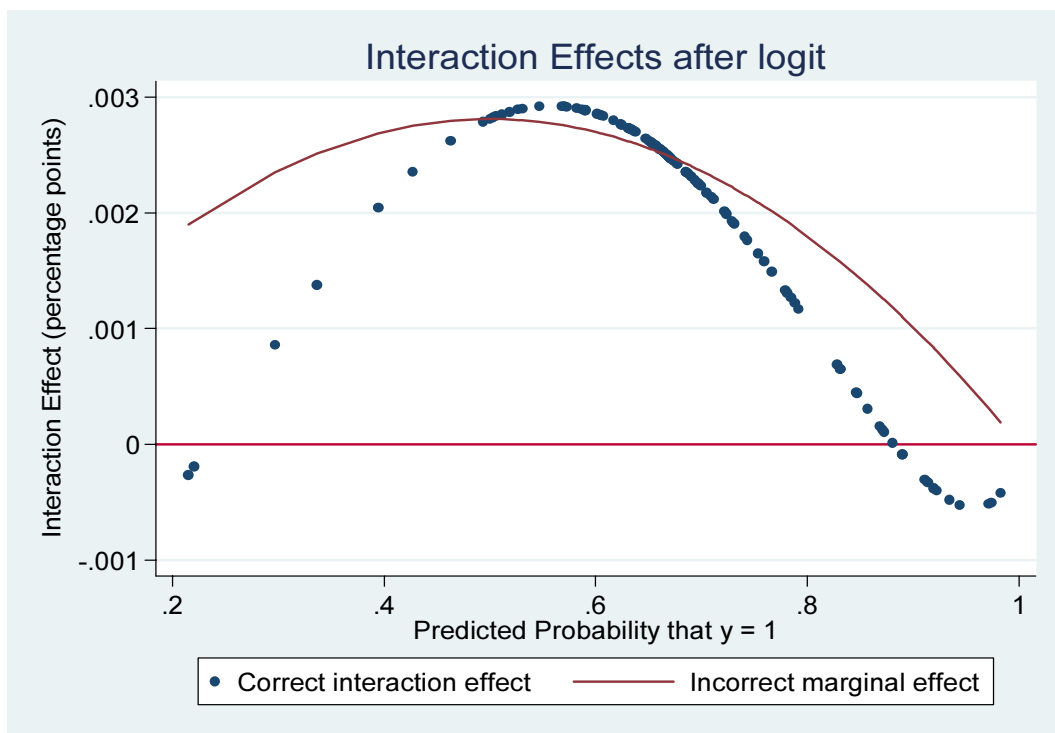


Figure B7. Distribution of Interaction Effects in Evaluation Adoption Model 1

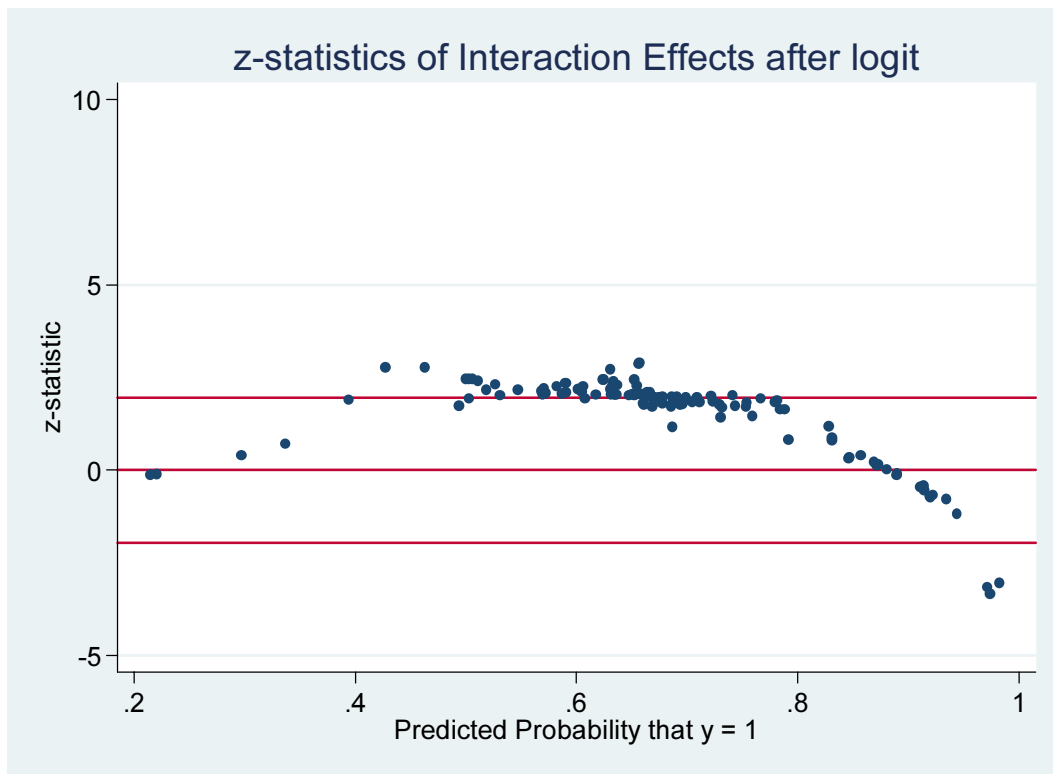


Figure B8. Statistical Significance of Interaction Effects in Evaluation Adoption Model 1

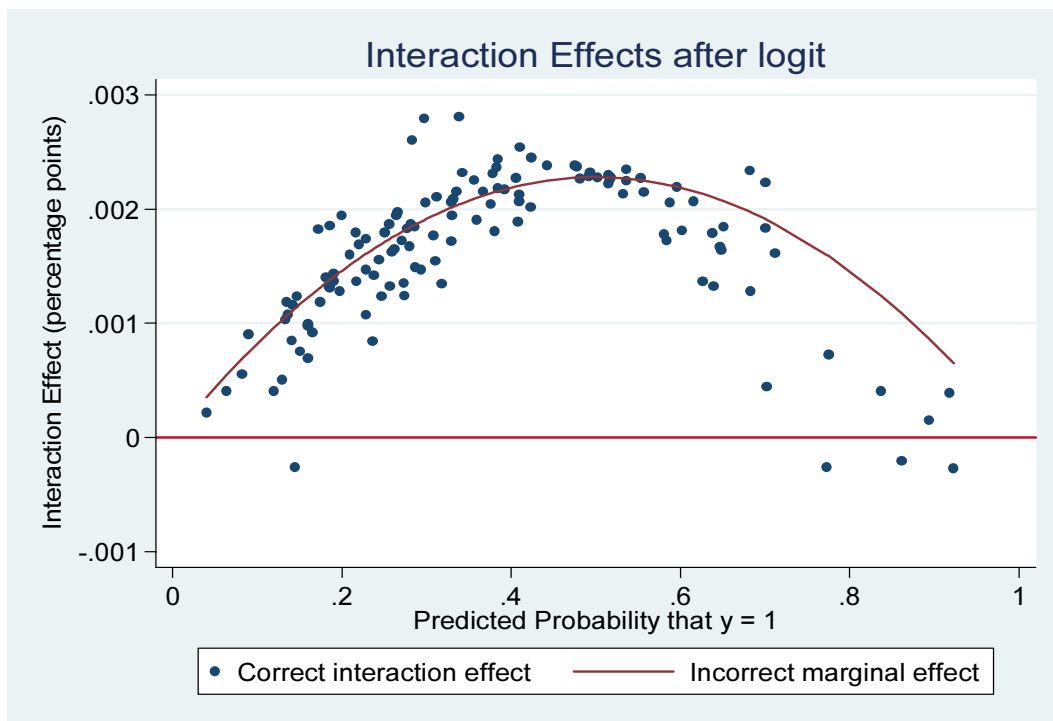


Figure B9. Distribution of Interaction Effects in Knowledge Management Adoption Model 4

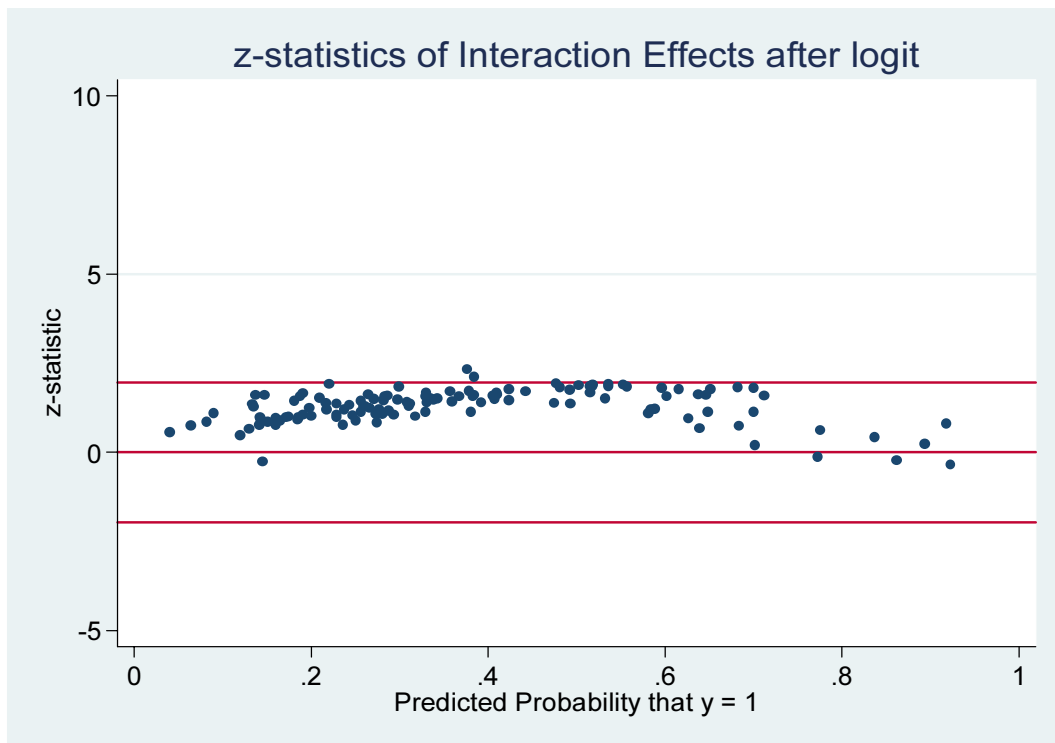


Figure B10. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model 4

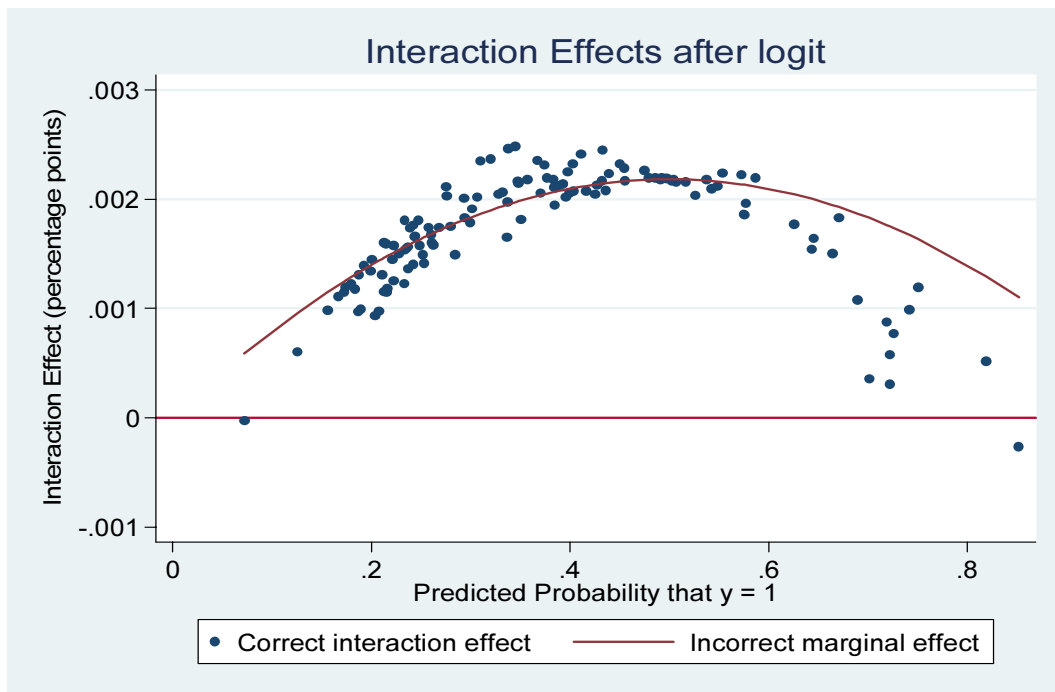


Figure B11. Distribution of Interaction Effects in Knowledge Management Adoption Model 3

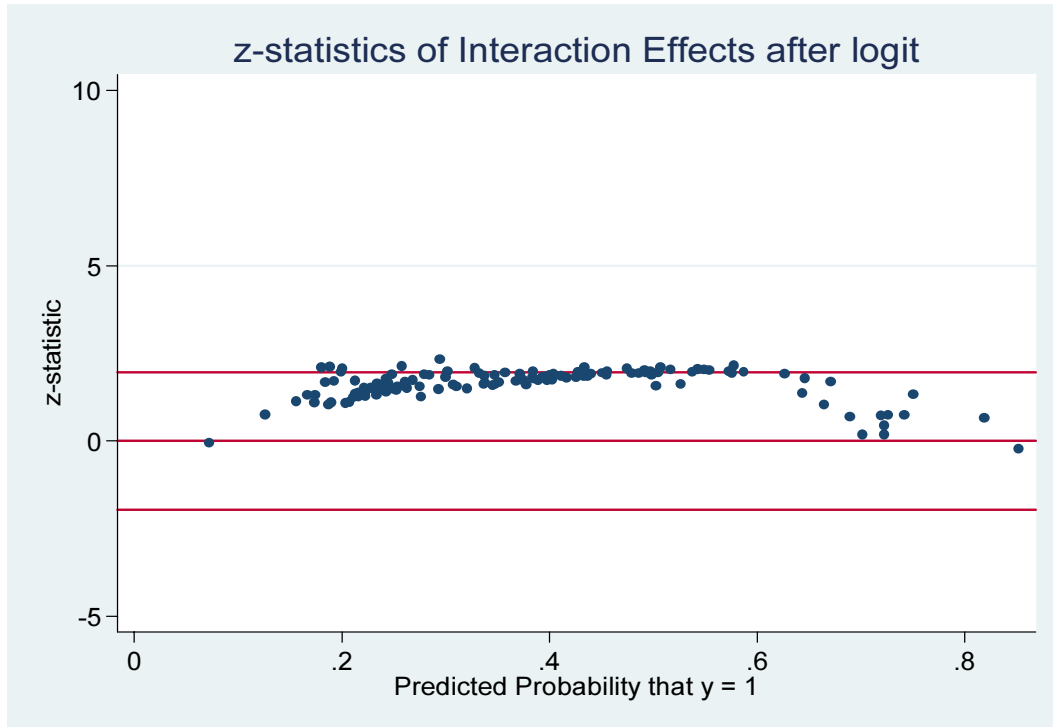


Figure B12. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model 3

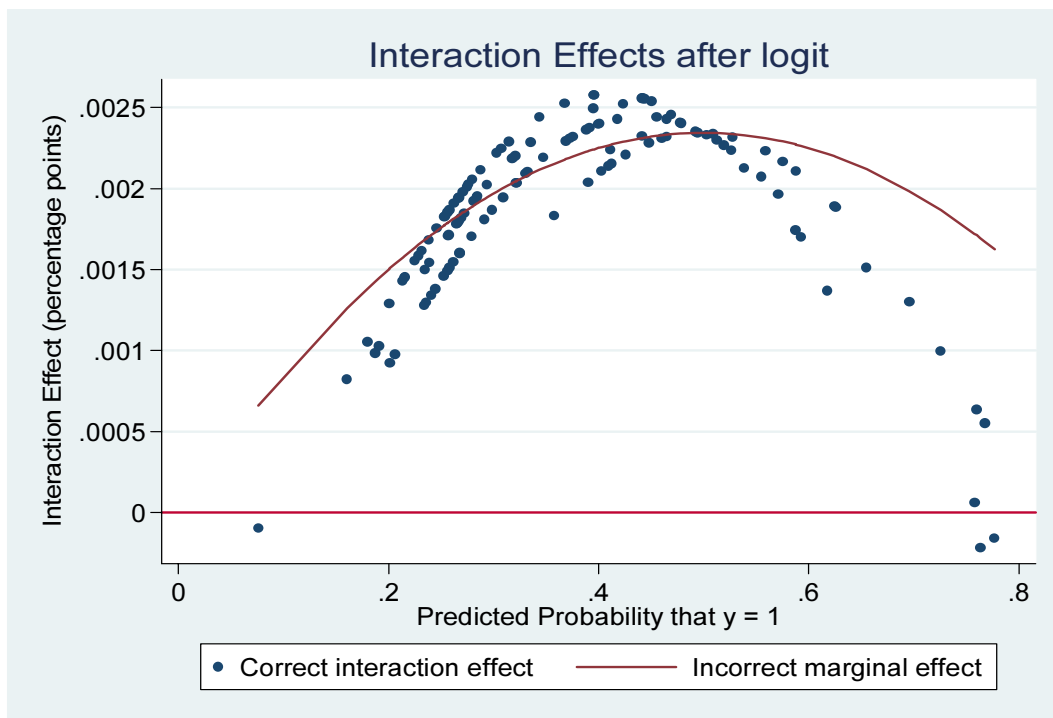


Figure B13. Distribution of Interaction Effects in Knowledge Management Adoption Model 2

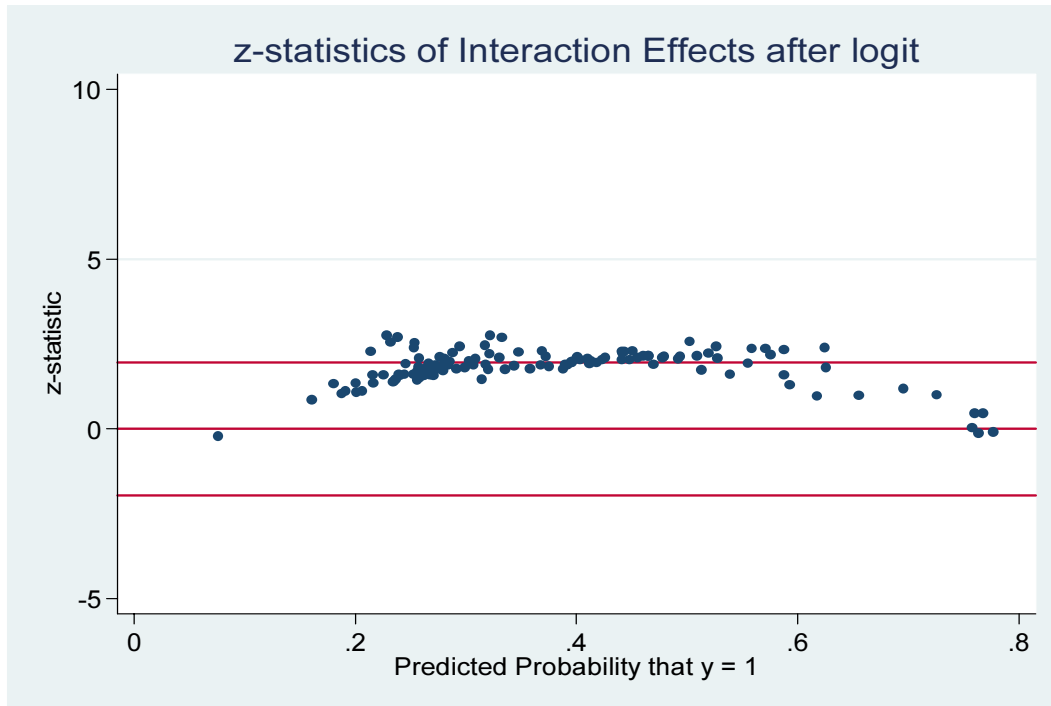


Figure B14. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model 2

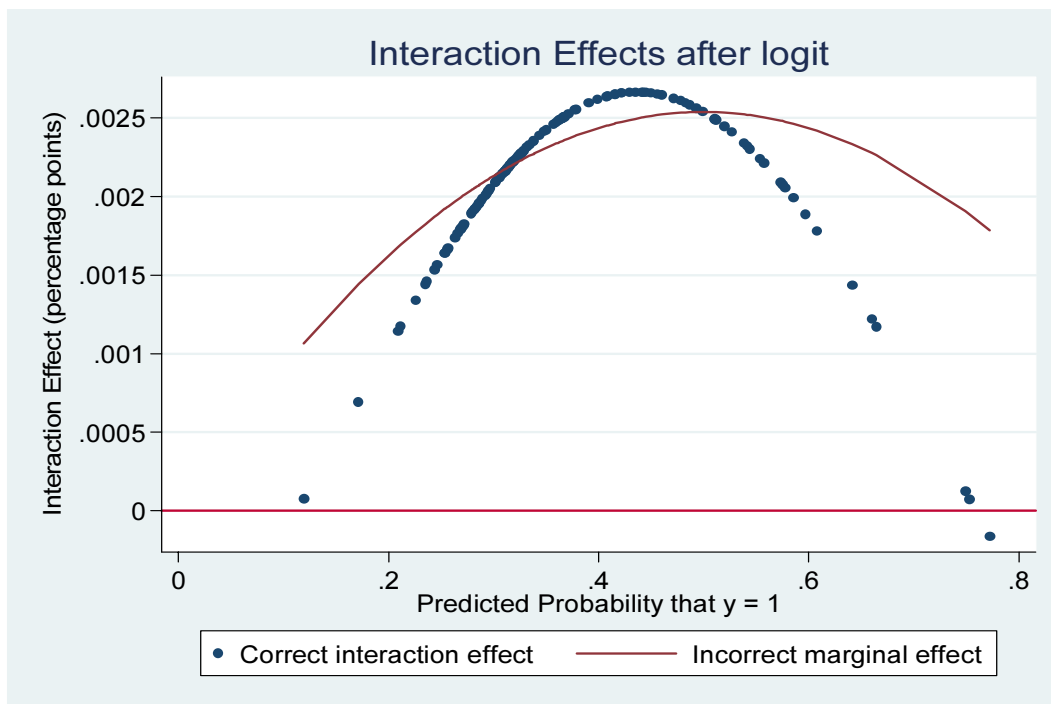


Figure B15. Distribution of Interaction Effects in Knowledge Management Adoption Model 1



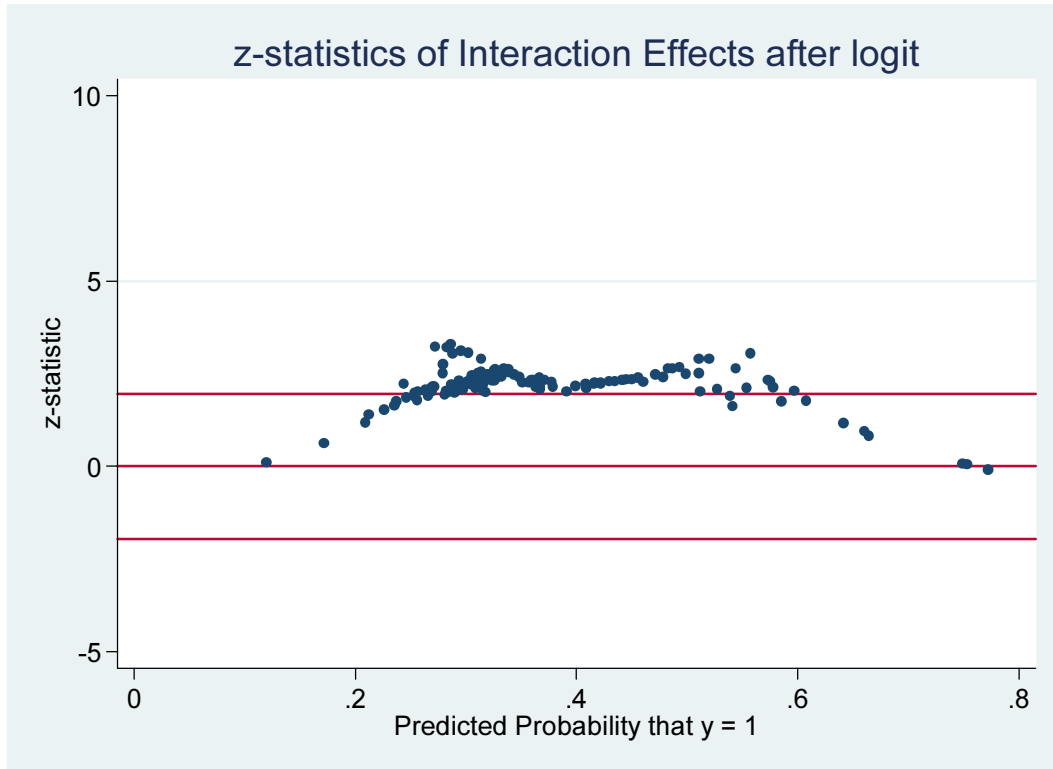


Figure B16. Statistical Significance of Interaction Effects in Knowledge Management Adoption Model 1

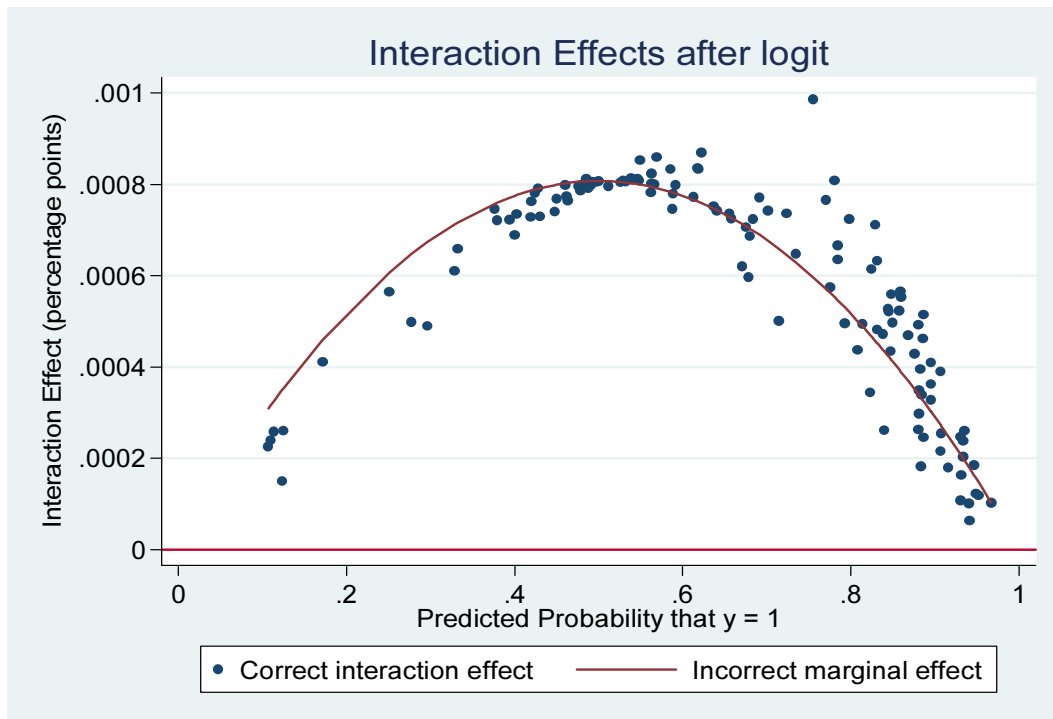


Figure B17. Distribution of Interaction Effects in Leadership Development Adoption Model 4

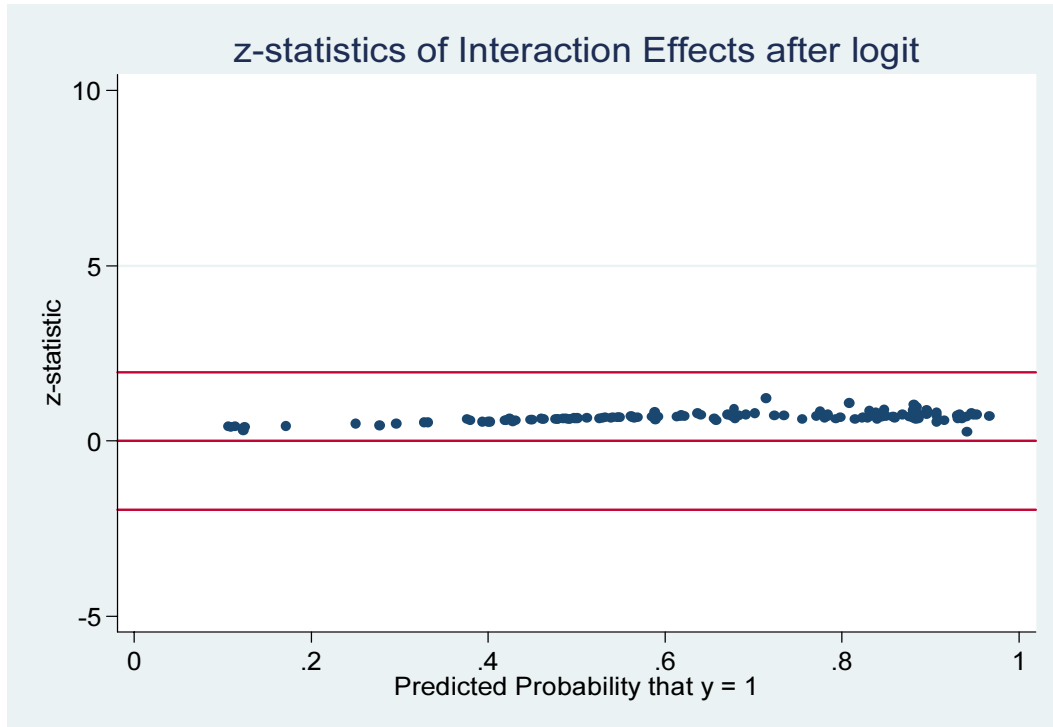


Figure B18. Statistical Significance of Interaction Effects in Leadership Development Adoption Model 4

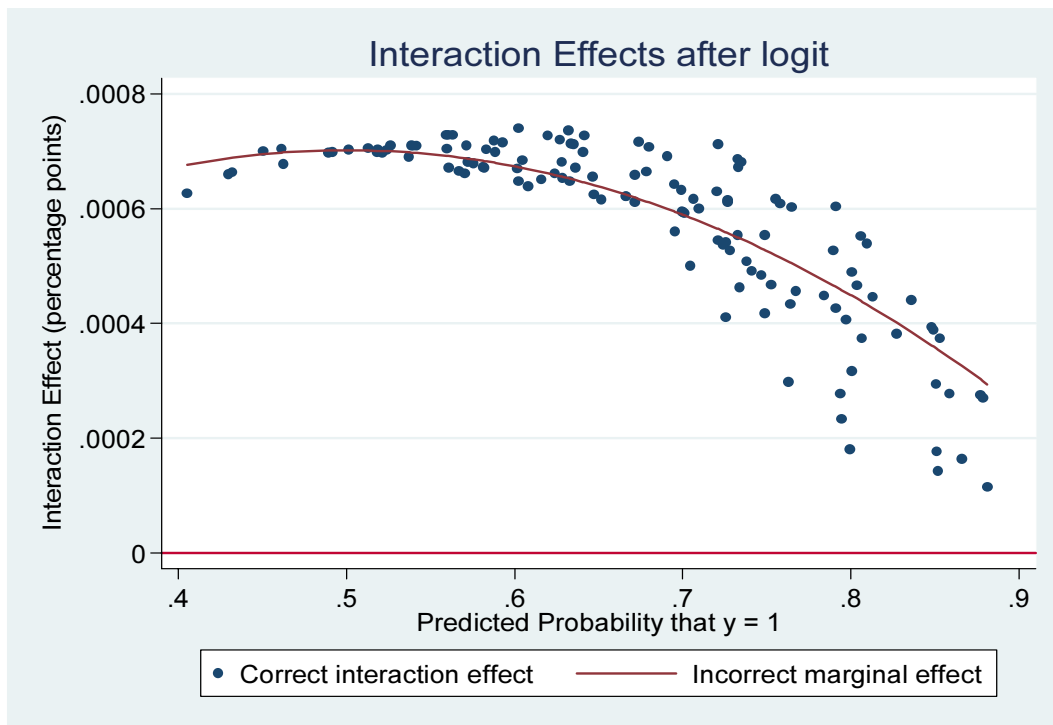


Figure B19. Distribution of Interaction Effects in Leadership Development Adoption Model 3

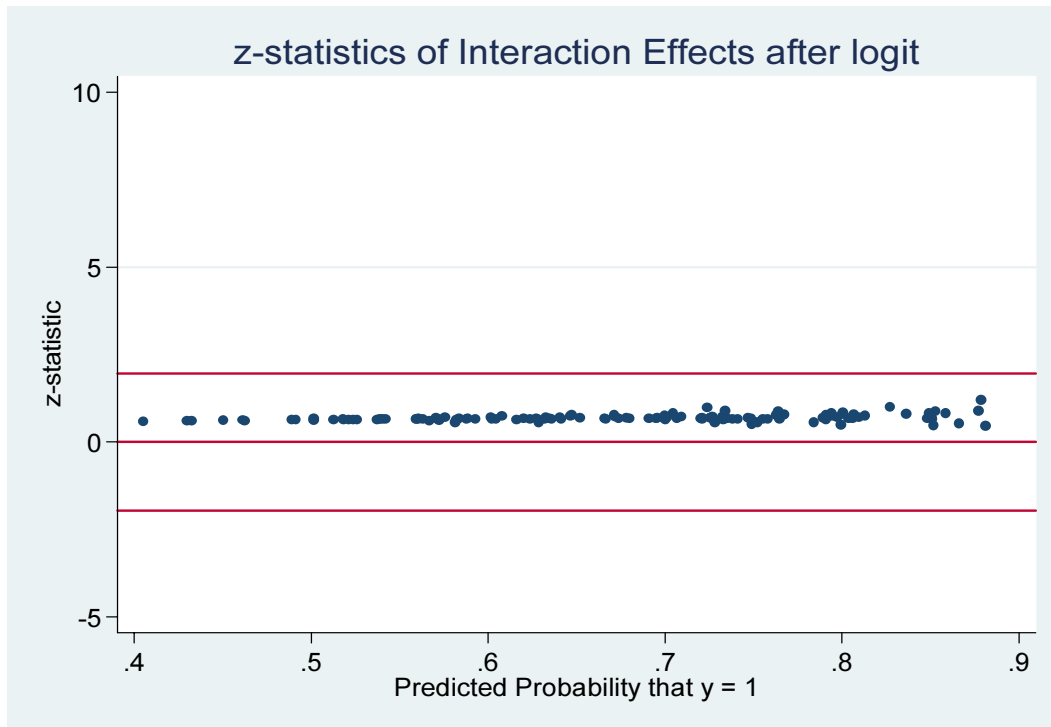


Figure B20. Statistical Significance of Interaction Effects in Leadership Development Adoption Model 3

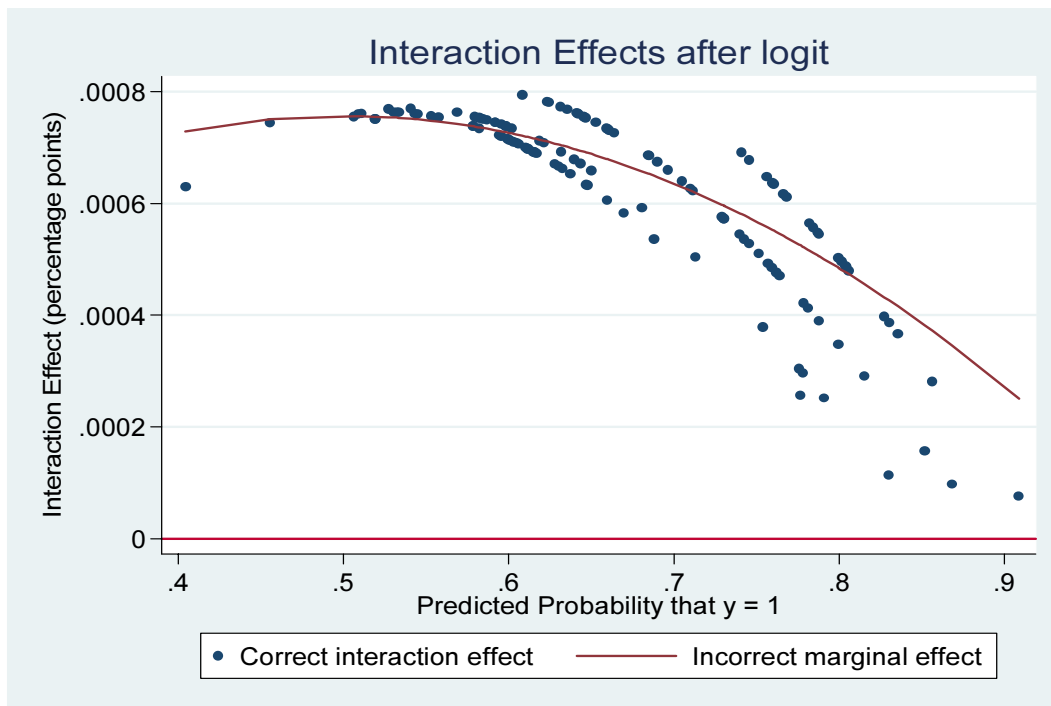


Figure B21. Distribution of Interaction Effects in Leadership Development Adoption Model 2

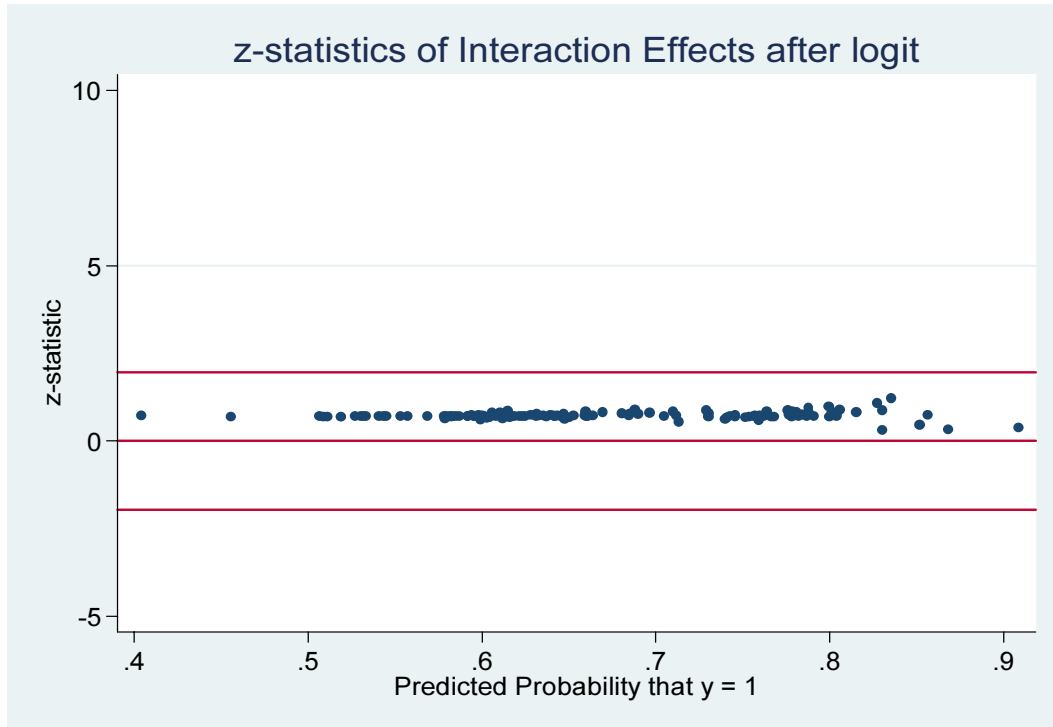


Figure B22. Statistical Significance of Interaction Effects in Leadership Development Adoption Model 2

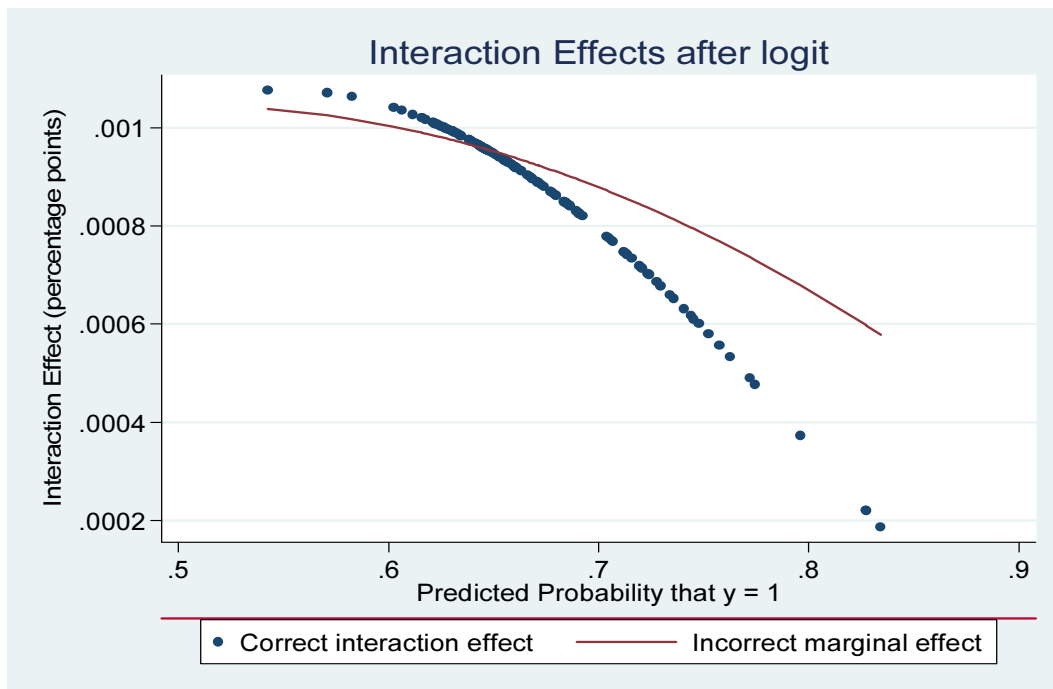


Figure B23. Distribution of Interaction Effects in Leadership Development Adoption Model 1

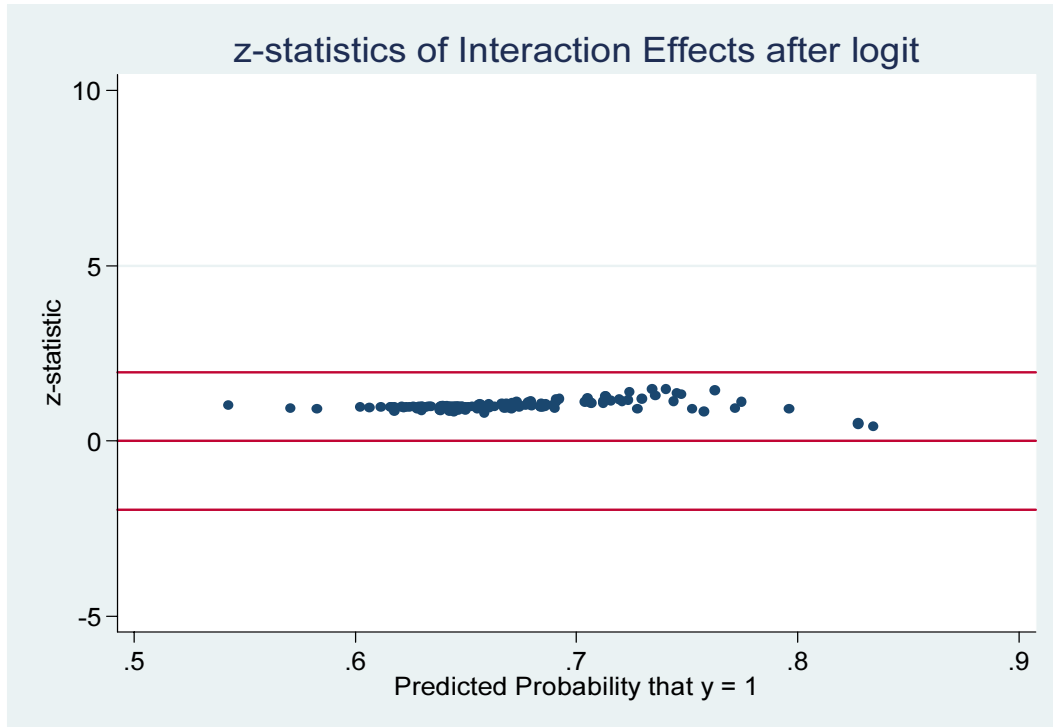


Figure B24. Statistical Significance of Interaction Effects in Leadership Development Adoption Model 1

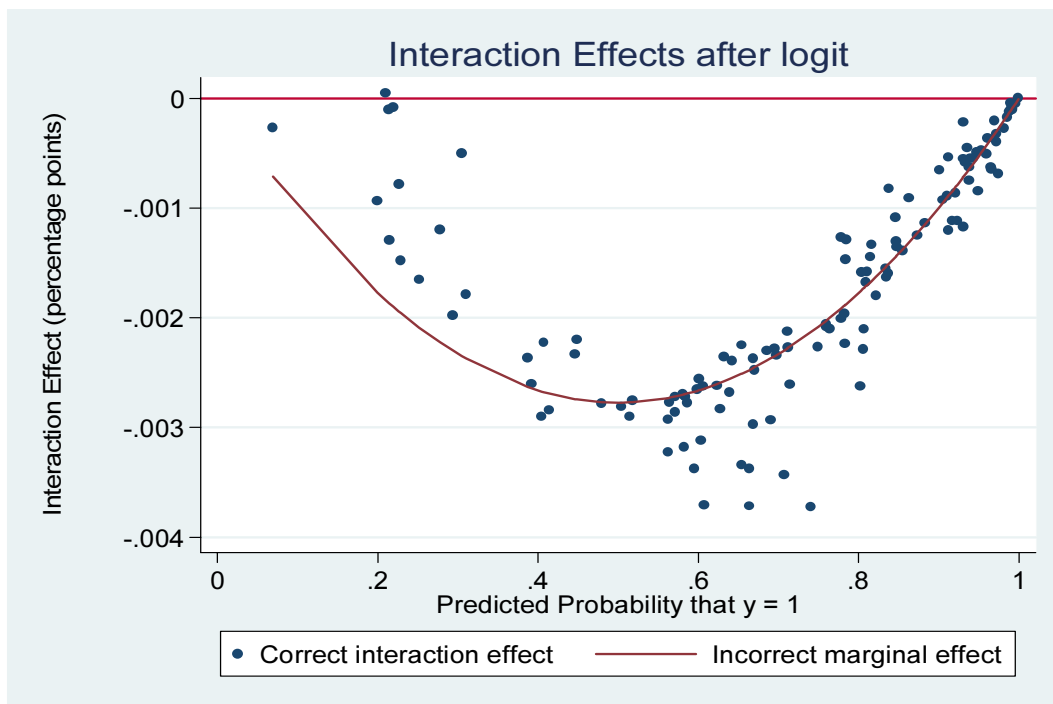


Figure B25. Distribution of Interaction Effects in Operating Grants Adoption Model 4

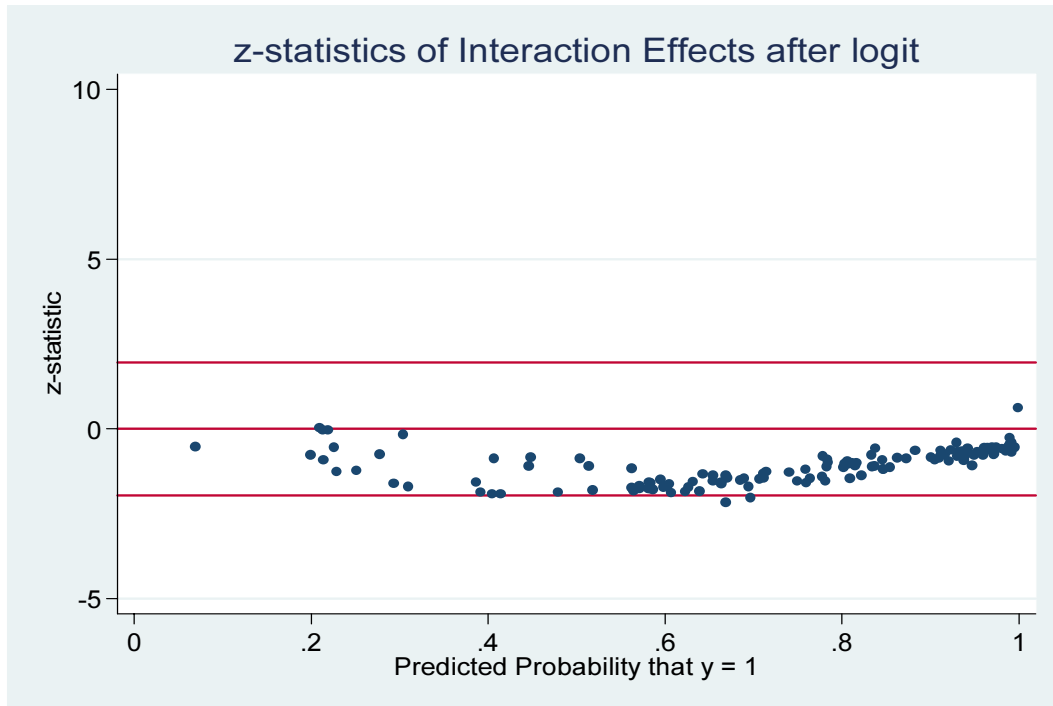


Figure B26. Statistical Significance of Interaction Effects in Operating Grants Adoption Model 4

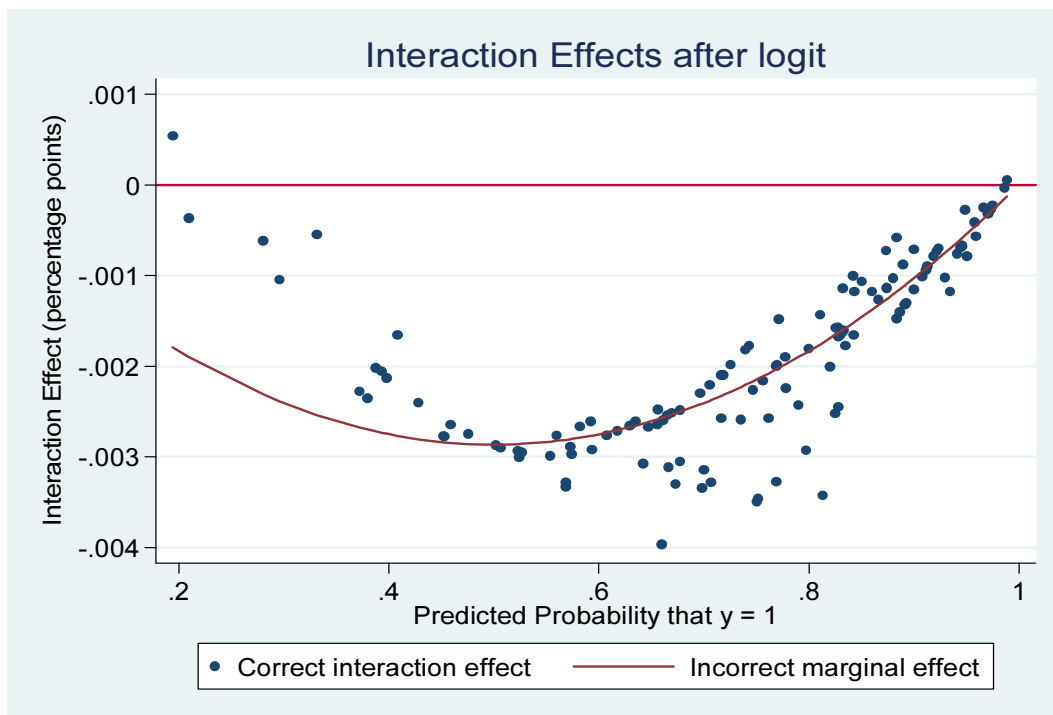


Figure B27. Distribution of Interaction Effects in Operating Grants Adoption Model 3

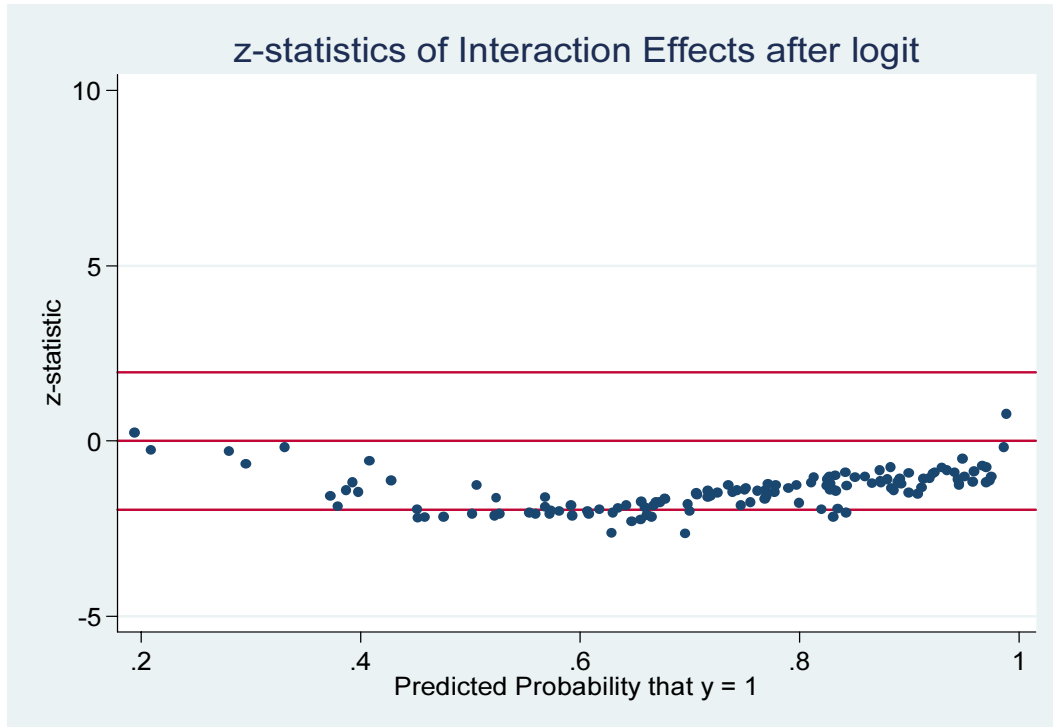


Figure B28. Statistical Significance of Interaction Effects in Operating Grants Adoption Model 3

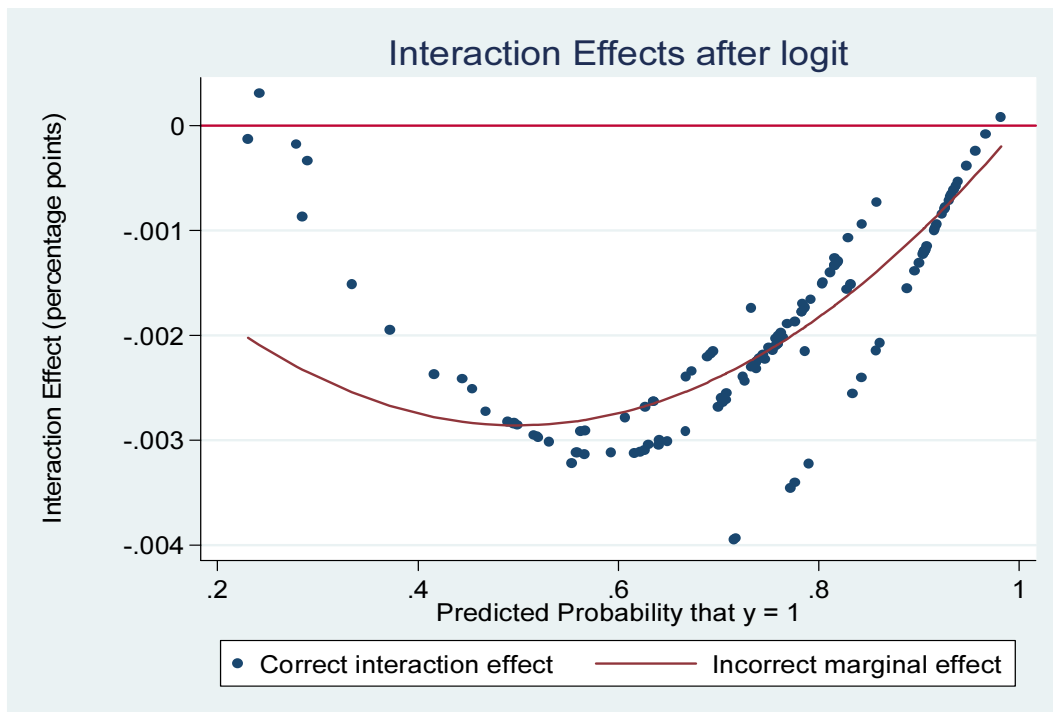


Figure B29. Distribution of Interaction Effects in Operating Grants Adoption Model 2

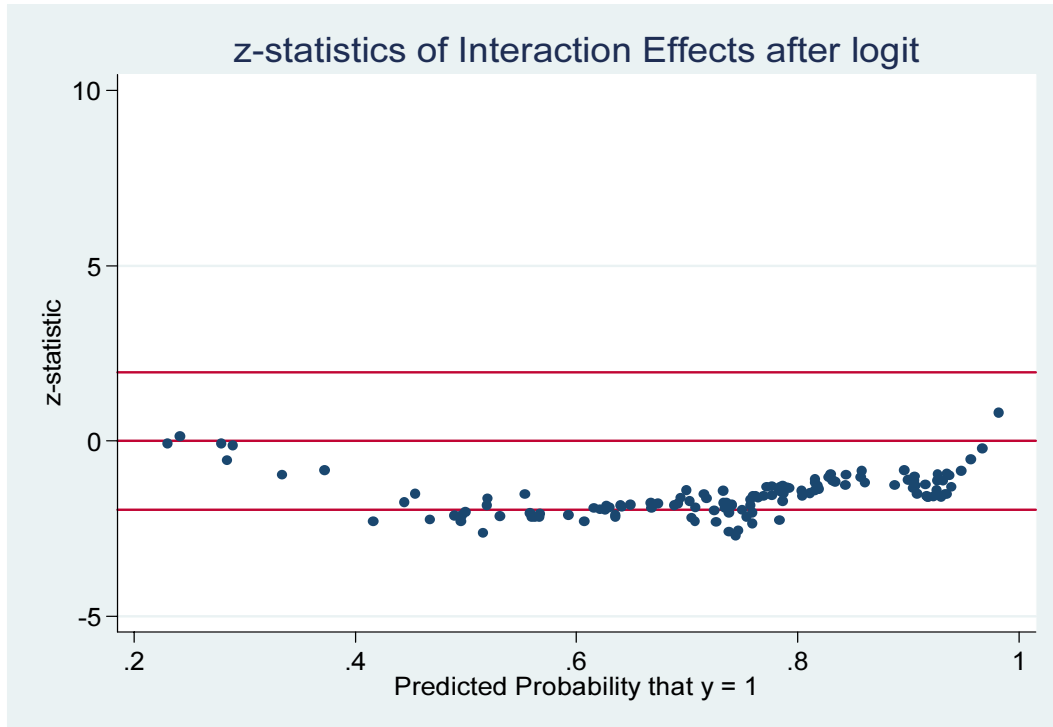


Figure B30. Statistical Significance of Interaction Effects in Operating Grants Adoption Model 2

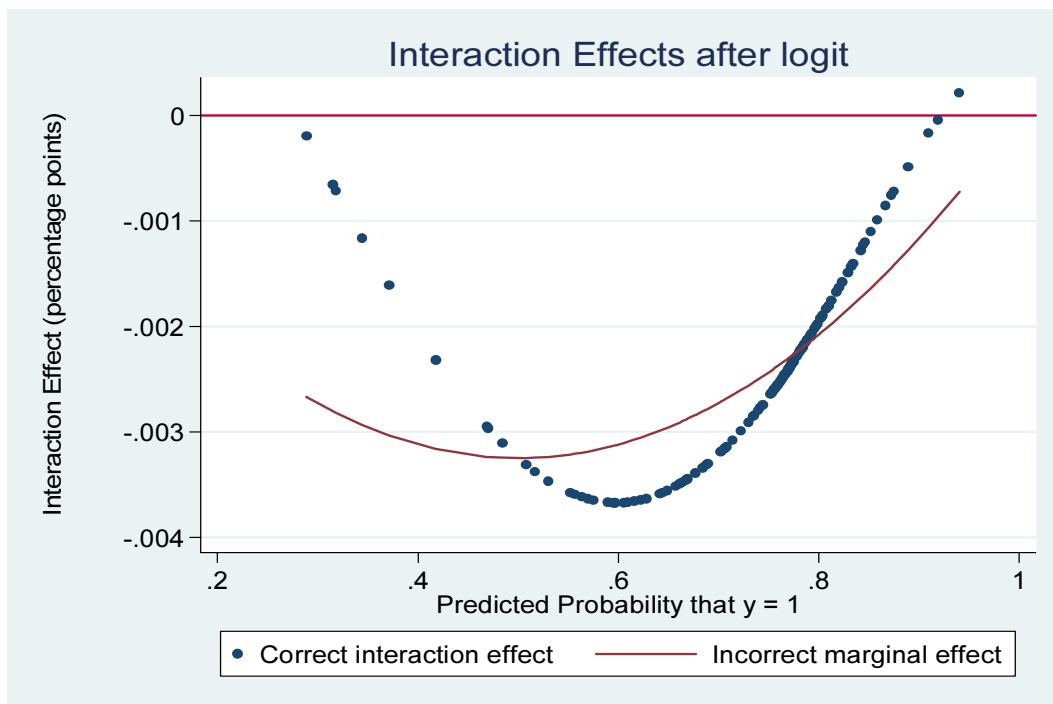


Figure B31. Distribution of Interaction Effects in Operating Grants Adoption Model 1



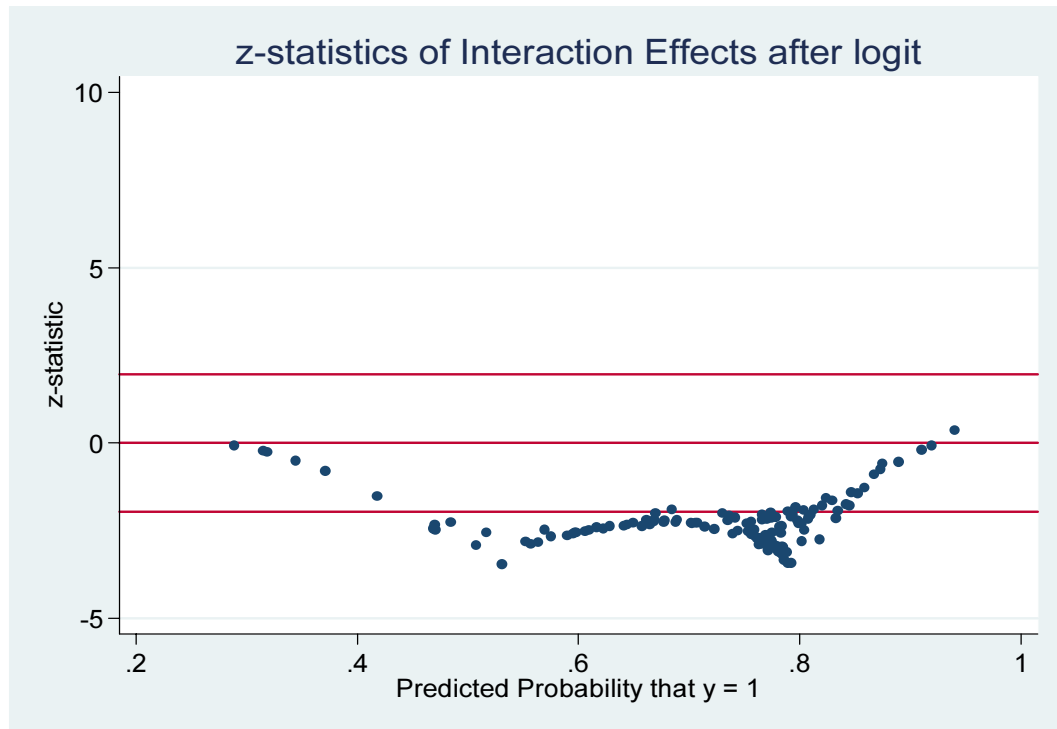


Figure B32. Statistical Significance of Interaction Effects in Operating Grants Adoption Model 1

## REFERENCES

- Abrahamson, E. (1991). Managerial fads and fashions: the diffusion and rejection of innovations. *Academy of Management Review*, 16(3), 586-612.
- Aksartova, S. (2003). In Search of Legitimacy: Peace Grant Making of U.S. Philanthropic Foundations, 1988-1996. *Nonprofit and Voluntary Sector Quarterly*, 32(1), 25-46.
- Anheier, H., & Toepler, S. (Eds.). (1999). *Private Funds, Public Purpose: Philanthropic Foundations in International Perspective*. New York: Kluwer Academic/Plenum Publishers.
- Asher, D. (2002). Accomplishments define 'effective philanthropy'. *Puget Sound Business Journal*.
- Association of Small Foundations. (2004). *2004-2005 Foundation Operations and Management Survey*.
- Backer, T. (1999). *Innovation in Context: New Foundation Approaches to Evaluation. Collaboration and Best Practices*. Miami, FL: John S. and James L. Knight Foundation.
- Bailin, M. (2003). Requestioning, Reimagining, and Retooling Philanthropy. *Nonprofit and Voluntary Sector*, 32(4), 635-642.
- Baldrige, J., & Burnham, R. (1975). Organizational innovation: individual, organizational and environmental impacts. *Administrative Science Quarterly*, 20, 165-176.
- Bell, J., Moyers, R., & Wolfred, T. (2006). *Daring to Lead 2006: CompassPoint Nonprofit Services and The Meyer Foundation*.
- Beoker, W. (1989). Strategic Change: The effects of founding and history. *Academy of Management Journal*, 32(3), 489-515.
- Bernholz, L. (1999). The Future of Foundation History: Suggestions for Research and Practice In E. C. Lagemann (Ed.), *Philanthropic Foundations: New Scholarship, New Possibilities*. Bloomington, IN: Indiana University Press.
- Bernholz, L. (2001). *Spending Smarter: Knowledge as a Philanthropic Resource*. San Francisco: Blueprint.
- Berry, F. S. (1994). Innovation in Public Management: The Adoption of Strategic Planning. *Public Administration Review*, 54(4), 322-330.

- Billitteri, T. (2005). *Money, Mission, and the Payout Rule: In Search of a Strategic Approach to Foundation Spending*: Nonprofit Sector Research Fund.
- Bloomfield, W. M. (2002). Grantmaking Foundations in America: Analyzing the Process and Practice of Philanthropic Decision-Making: Dissertation Abstracts International.
- Boris, E., Renz, L., Barve, A., Hager, M., & Hobor, G. (2006). *Foundation Expenses and Compensation: How Operating Characteristics Influence Spending*. Washington, D.C.: The Urban Institute.
- Bradley, B., & Jansen, P. (2002, May 15). Faster Charity. *The New York Times*.
- Bradshaw, P., Murray, V., & Wolpin, J. (1992). Do nonprofit boards make a difference? An exploration of the relationships among board structure, process, and effectiveness. *Nonprofit and Voluntary Sector*, 21, 227-249.
- Cameron, K. S., & Whetten, D. A. (1983). Some Conclusions About Organizational Effectiveness. In K. S. Cameron & D. A. Whetten (Eds.), *Organizational Effectiveness: A Comparison of Multiple Models*. New York: Academic Press.
- Capek, M. E., & Mead, M. (2006). *Effective Philanthropy: Organizational Success through Deep Diversity and Gender Equality*. Cambridge, MA: MIT Press.
- Center for Effective Philanthropy. (2002). *Toward a Common Language: Listening to Foundation CEOs and Other Experts Talk About Performance Measurement in Philanthropy*. Cambridge, MA: Center for Effective Philanthropy.
- Center for Effective Philanthropy. (2005). *Higher Impact: Improving Foundation Performance Insights from a Gathering of Foundation CEOs, Trustees, and Senior Executives*. Cambridge, MA: Center for Effective Philanthropy.
- Chelimsky, E. (2001). What Evaluation Could Do to Support Foundations: A Framework with Nine Component Parts. *American Journal of Evaluation*, 22(1), 13-28.
- Clegg, S., Nord, W., & Hardy, C. (Eds.). (1999). *Handbook of Organization Studies* (First ed.). Thousand Oaks, CA: Sage Publications.
- Conlin, M., & Hempel, J. (2003, December 1). The Corporate Donors. *Business Week*.
- Conner, R., Kuo, V., Melton, M., & Millett, R. (2004). Adapting Evaluation to Accommodate Foundations' Structural and Cultural Characteristics. In M. Braverman, N. Constantine & J. K. Slater (Eds.), *Foundations and Evaluation: Contexts and Practices for Effective Philanthropy*. San Francisco, CA: Jossey Bass.

- Council on Foundations. (2002). *At Issue: Project vs. Operating Support- Which is the Better Strategy?* Council on Foundations.
- Culwell, A., Christen, A., & Berkowitz, G. (2004). *Employing Knowledge Management to Improve Performance: Six Brief Essays on Lessons Learned*. San mateo, CA: Charles and Helen Schwab Foundation.
- Cyert, R. M., & March, J. G. (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs, N.J.: Prentice-Hall.
- Damanpour, F. (1991). Organizational Innovation: A Meta-Analysis of Effects of Determinants and Moderators. *Academy of Management Journal*, 34(3), 555-590.
- Davis, C. (2003). *Organizational Innovation: The Role of Management in Different Stages of Innovation Implementation*. Unpublished Dissertation, Georgia Institute of Technology, Atlanta, GA.
- Diaz, W. (1996). The Behavior of Foundations in an Organizational Frame: A Case Study. *Nonprofit and Voluntary Sector Quarterly*, 25(4), 453-469.
- Diaz, W. (1999). The Behavior of Grantmaking Foundations: Toward a New Theoretical Frame. In H. Anheier & S. Toepler (Eds.), *Private Funds, Public Purpose: Philanthropic Foundations in International Perspective*. New York, New York: Kluwer Academic/Plenum Publishers.
- Diaz, W. (2001). The Lost Inner World of Grantmaking Foundations (or, as Willie Sutton Once Said, "That's Where the Money Is"). *Nonprofit Management and Leadership*, 12(2), 213-218.
- DiMaggio, P., & Powell, W. (1991). *The new institutionalism in organizational analysis*. Chicago: The University of Chicago Press.
- Dowie, M. (2001). *American Foundations: An Investigative History*. Cambridge, MA: The MIT Press.
- Easterling, D. (2000). Using outcome evaluation to guide grantmaking: Theory, reality, and possibilities. *Nonprofit and Voluntary Sector Quarterly*, 29(3), 482-486.
- Enright, K. (2003). Knowledge as a Resource: What Funders Know and How it Can Help Nonprofits. *Nonprofit Times*.
- Enright, K. (2006). *Investing in Leadership, Volume 2*. Washington, D.C.: Grantmakers for Effective Organizations.
- Frambach, R., & Schillewaert, N. (2002). Organizational Innovation adoption: A multi-level framework of determinants and opportunities for future research. *Journal of*

*Business Research*, 55, 163-176.

Frumkin, P., & Kim, M. (2001). Strategic Positioning and the Financing of Nonprofit Organizations: Is Efficiency Rewarded in the Contributions Marketplace? *Public Administration Review*, 61(3), 266-275.

Frumkin, P. (2005). Trouble in Foundationland: Looking Back, Looking Ahead. Retrieved February 26, 2005, 2005

Fulton, K., & Blau, A. (2005). *The Seeds of Change in Philanthropy*: Monitor Group.

Galaskiewicz, J., & Bielefeld, W. (1998). *Nonprofit Organizations in an Age of Uncertainty: A Study of Organizational Change*. New York: Aldine de Gruyter.

Geofunders. (2005). [www.geofunders.org](http://www.geofunders.org) Access date October 30 2005. Retrieved October 30, 2005

Graddy, E. A., & Morgan, D. L. (2006). Community Foundations, Organizational Strategy, and Public Policy. *Nonprofit and Voluntary Sector Quarterly*, 35(4), 605-630.

Greenhalgh, T., Robert, G., Macfarlane, F., Bate, P., & Kyriakidou, O. (2004). Diffusion of Innovations in Service Organizations: Systematic Review and Recommendations. *The Milbank Quarterly*, 82(4), 581-629.

Guo, C., & Brown, W. (2006). Community Foundation Performance: Bridging Community Resources and Needs. *Nonprofit and Voluntary Sector Quarterly*, 35(2), 267-287.

Hage, J., & Aiken, M. (1970). *Social Change in Complex Organizations*. New York: Random House.

Hall, P. (2004). A Historical Perspective on Evaluation in Foundations. In J. K. Slater, N. Constantine & M. Braverman (Eds.), *Foundations and Evaluation*. San Francisco, CA: Jossey-Bass.

Hambrick, D. (1983). Some tests of the effectiveness and functional attributes of Miles and Snow's strategic types. *Academy of Management Journal*, 26(1), 5-26.

Hannan, M., & Freeman, J. (1977). The population ecology of organizations. *American Journal of Sociology*, 82(5), 929-964.

Herman, R., & Renz, D. (1999). Theses on Nonprofit Organizational Effectiveness. *Nonprofit and Voluntary Sector*, 28(2), 107-126.

Hodge, M., & Piccolo, R. (2005). Funding Source, Board Involvement Techniques, and

- Financial Vulnerability in Nonprofit Organizations: A Test of Resource Dependence. *Nonprofit Management and Leadership*, 16(2), 171-189.
- Hoff, M. (2003). Are Do-Gooders Really Doing Good? Center for Nonprofit Management
- Holcombe, R. (2000). *Writing Off Ideas: Taxation, Foundations, and Philanthropy in America*. Somerset, NJ: Transaction Publishers.
- Horton, D., Alexaki, A., Lartey, S., Brice, K., & Campilan, D. (2003). *Evaluating Capacity Development: Experiences from Research and Development Organizations around the World*. IDRC.
- Huang, J., & Buteau, E. (2006). *In Search of Impact: Practices and Perceptions in Foundations' Provision of Program and Operating Grants to Nonprofits*. Cambridge, MA: Center for Effective Philanthropy.
- Hubbard, B. (2005). *Investing in Leadership, Volume 1*. Washington, D.C.: Grantmakers for Effective Organizations.
- Ingraham, P., & Getha-Taylor, H. (2004). Leadership in the Public Sector: Models and Assumptions for Leadership Development in the Federal Government. *Review of Public Personnel Administration*, 24(2).
- Jaccard, J., & Turrisi, R. (2003). *Interaction Effects in Multiple Regression* (second ed.). Thousand Oaks: Sage Publications.
- Jackson, S., Hitt, M., & DeNisi, A. (2003). *Managing Knowledge for Sustained Competitive Advantage: Designing Strategies for Effective Human Resource Management*. San Francisco, CA: Jossey-Bass.
- Jaskyte, K. (2004). Transformational Leadership, Organizational Culture, and Innovativeness in Nonprofit Organizations. *Nonprofit Management and Leadership*, 15(2), 153-168.
- Jones, M. (1997). *Effective Foundation Grantseeking Strategies*. Paper presented at the CASE Corporate and Foundations Relations Conference, Chicago, Illinois.
- Katz, S. (2004). *What Does it Mean to Say that Philanthropy is "Effective"? The Philanthropists' New Clothes*. Paper presented at the Proceedings of the American Philosophical Society.
- Kelly, P., & Kranzberg, M. (1978). *Technological Innovations: A critical review of current knowledge*. San Francisco, CA: San Francisco University Press.
- Kimberly, J., & Evanisko, M. (1981). Organizational Innovation: The Influence of

- Individual, Organizational, and Contextual Factors on Hospital Adoption of Technological and Administrative Innovations. *Academy of Management Journal*, 24(4), 689-713.
- Lagemann, E. C. (1992). *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy*. Chicago, IL: The University of Chicago Press.
- Lagemann, E. C. (Ed.). (1999). *Philanthropic Foundations: New Scholarship New Possibilities*. Bloomington, IN: Indiana University Press.
- Lehfelddt, M. (2006). *Is Good Philanthropy the Same as Philanthropy at its Best?* Paper presented at the Dialogues on Civic Philanthropy, Atlanta, GA.
- Levinson, M. (2005). The ABCs of KM. Retrieved April 25, 2006, from [www.cio.com](http://www.cio.com)
- Leviton, L., & Bass, M. (2004). Using Evaluation to Advance a Foundation's Mission. In J. K. Slater, N. Constantine & M. Braverman (Eds.), *Foundations and Evaluation*. San Francisco, CA: Jossey-Bass.
- Lucas, J., Avi-Itzhak, T., Robinson, J., Morris, C., Koren, M. J., & Reinhard, S. (2005). Continuous Quality Improvement as an Innovation: Which Nursing Facilities Adopt It? *The Gerontologist*, 45(1), 68-77.
- Martin, M. (1994). *Virtuous Giving: Philanthropy, Voluntary Service, and Caring*. Bloomington, IN: Indiana University Press.
- Miles, R., & Snow, C. (1978). *Organizational Strategy, structure and process*. New York: McGraw-Hill.
- Millett, R. (1995). *W.K. Kellogg Foundation cluster evaluation model of evolving practices*. Battle Creek, MI: W.K. Kellogg Foundation.
- Moore, M. (2000). Managing for Value: Organizational Strategy in For-Profit, Nonprofit and Governmental Organizations. *Nonprofit and Voluntary Sector Quarterly*, 29(1), 183-208.
- National Commission on Philanthropy and Civic Renewal. (1997). Lessons Learned. In J. Barry & B. Manno (Eds.), *Giving Better, Giving Smarter*. Washington, D.C.: National Commission on Philanthropy and Civic Renewal.
- National Committee for Responsive Philanthropy. Retrieved March 27, 2006, from [www.ncrp.org](http://www.ncrp.org)
- National Committee for Responsive Philanthropy. (2003). *The Core of the Matter: NCRP's First Convening on the Need to Increase Nonprofit Core Operating Support*. Washington, D.C.: National Committee for Responsive Philanthropy.

- Nault, D. (2006). Going Global: Rethinking Culture Teaching in ELT Contexts. *Language, Culture and Curriculum*, 19(3), 314-328.
- Nord, W. R., & Tucker, S. (1987). *Implementing Routine and Radical Innovation*. Lexington, MA.: Lexington Books.
- Norton, E., Wang, H., & Ai, C. (2004). Computing interaction effects and standard errors in logit and probit models. *The Stata Journal*, 4(2), 154-167.
- Orosz, J., Phillips, C., & Knowlton, L. W. (2003). *Agile Philanthropy: Understanding Foundation Effectiveness*. Grand Rapids, MI: Grand Valley State University, Dorothy A. Johnson Center for Philanthropy and NonProfit Leadership.
- Ostrower, F. (2004). *Attitudes and Practices Concerning Effective Philanthropy: Survey Report*. Washington, D.C.: Urban Institute.
- Ostrower, F. (2006). *Community Foundation Approaches to Effectiveness: Characteristics, Challenges, and Opportunities*.
- Owens, J. (2006). *On Being Effective: How Should Philanthropy Judge Itself?* Paper presented at the Dialogues on Civic Philanthropy, Atlanta, GA.
- Panel on the Nonprofit Sector. (2005). *Strengthening Transparency Governance Accountability of Charitable Organizations*. Washington, D.C.: Independent Sector.
- Patrizi, P., & McMullan, B. (1998). *Evaluation in Foundations*. Battle Creek, MI: W.K. Kellogg Foundation.
- Pauly, E. (2005). *The Role of Evaluation in the 21st Century Foundation*: International Network on Strategic Philanthropy.
- Pierce, J. L., & Delbecq, A. L. (1977). Organizational structure, individual attitudes, and innovation. *Academy of Management Review*, 2, 26-37.
- Pifer, A. (1984). *Philanthropy in an Age of Transition: the essays of Alan Pifer*. New York: Foundation Center.
- Porter, M., & Kramer, M. (1999). Philanthropy's New Agenda: Creating Value. *Harvard Business Review*, 77(6), 121-130.
- Press, S. J., & Wilson, S. (1978). Choosing Between Logistic Regression and Discriminant Analysis. *Journal of the American Statistical Association*, 73(364), 699-705.
- Rabinowitz, A. (1990). *Social Change Philanthropy in America*. Westport, CT: Quorum



Books.

- Reeves, T. (1970). *Foundations Under Fire*. Ithaca, N.Y.: Cornell University Press.
- Reis, T., & Clohesy, S. (2001). Unleashing new resources and entrepreneurship for the common good: A philanthropic renaissance. *New Directions for Philanthropic Fundraising*, 32, 109-144.
- Reisman, J., Langley, K., Stachowiak, S., & Gienapp, A. (2004). *A Practical Guide to Documenting Influence and Leverage In Making Connections Communities*. Seattle, WA: Organizational Research Services.
- Rogers, E. M. (1983). *Diffusion of Innovations* (3rd ed.). New York: Free Press.
- Rogers, E. M., & Shoemaker, F. (1971). *Communication of Innovations*. New York: Free Press.
- Rowe, L. A., & Boise, W. B. (1974). Organization innovation: Current research and evolving concepts. *Public Administration Review*, 34, 284-293.
- Sansing, R., & Yetman, R. (2006). Governing Private Foundations Using the Tax law. *Journal of Accounting and Economics*, 363-384.
- Sapat, A. (2004). Devolution and Innovation: The Adoption of State Environmental Policy Innovations by Administrative Agencies. *Public Administration Review*, 64(2), 141-151.
- Scarbrough, H., & Swan, J. (2001). Explaining the diffusion of knowledge management: the role of fashion. *British Journal of Management*, 112(1), 3-12.
- Schneider, J. (1996). Philanthropic Styles in the United States: Toward a Theory of Regional Differences. *Nonprofit and Voluntary Sector*, 25(2), 190-210.
- Scriven, M. (1994). Evaluation and the do-gooder fallacy. *American Evaluation Association Newsletter*, 1, 6-7.
- Seashore, S. E. (1983). A Framework for an Integrated Model of Organizational Effectiveness. In K. S. Cameron & D. A. Whetten (Eds.), *Organizational Effectiveness: A Comparison of Multiple Models*. New York: Academic Press.
- Shannon, J. (2005). *The Making of Outcome Accountability in United Way Funding Requirements*. Paper presented at the ARNOVA, Washington, D.C.
- Sharp, M. (2004). De Tocqueville meets EBay: Giving, volunteering, and doing good in the new social sector. *New Directions for Philanthropic Fundraising*, 45, 85-93.

- Slater, J. K., Constantine, N., & Braverman, M. (2004). Introduction: Putting Evaluation to Work for Foundations. In J. K. Slater, N. Constantine & M. Braverman (Eds.), *Foundations and Evaluation*. San Francisco, CA: Jossey-Bass.
- Smith, J. A. (2002). *Foundations and Public Policymaking: A Historical Perspective*. Los Angeles, CA: The Center on Philanthropy and Public Policy.
- Smith, D. H. (2005). *Good Intentions: Moral Obstacles and Opportunities*. Bloomington, IN: Indiana University Press.
- Stauber, K. N. (2001). Mission Driven Philanthropy: What Do We Accomplish and How Do We Do It? *Nonprofit and Voluntary Sector*, 30(2), 393-399.
- Steele, K. D. (1997). *Implementing an administrative organizational innovation: The impact of implementation tactics on employee performance and satisfaction*. The Ohio State University.
- Stone, M. (1996). Competing Contexts: The Evolution of a Nonprofit Governance Structure in Multiple Institutional Contexts. *Administration and Society*, 28(1), 61-89.
- Stone, M., Hager, M., & Griffin, J. (2001). Organizational Characteristics and Funding Environments: A Study of a Population of United Way-Affiliated Nonprofits. *Public Administration Review*, 61(3), 276-289.
- The Aspen Institute. Foundation Accountability and Effectiveness. Retrieved September 22, 2006, from [http://www.geofunders.org/\\_uploads/documents/live/Foundation\\_Statement.pdf](http://www.geofunders.org/_uploads/documents/live/Foundation_Statement.pdf)
- The Council on Foundations. (1980). Recommended Principles and Practices for Effective Grantmaking. *Foundation News*, 21, 8.
- The Foundation Center. (2001). *Foundation Staffing: Update on Staffing Trends of Private and Community Foundations*. New York: The Foundation Center.
- The Foundation Center. (2005). *Majority of Funders Provided General Operating Support*. New York.
- The Foundation Center. (2005). [www.fdncenter.org](http://www.fdncenter.org) accessed on December 11, 2005.
- The Foundation Center. (2006). *Foundation Yearbook*. New York.
- The Foundation Center. (2006). *Key Facts on Community Foundations*. New York.
- The Foundation Center. (2006). *Key Facts on Family Foundations*. New York.

- Tierney, T. (2006). *The Nonprofit Sector's Leadership Deficit*: The Bridgespan Group.
- Tolbert, P. S., & Zucker, L. G. (1983). Institutional sources of change in the formal structure of organizations: the diffusion of civil service reform, 1880-1935. *Administrative Science Quarterly*, 28, 22-39.
- Tornatzky, L., & Fleischer, M. (1990). *The Process of Technological Innovation*. Lexington, Mass.: Lexington Books.
- Walker, G., & Grossman, J. B. (1999). *Philanthropy and Outcomes: Dilemmas in the Quest for Accountability*: Public Private Ventures.
- Williams, W. H. (1978). How Bad Can "Good" Data Really Be? *The American Statistician*, 32(2), 61-65.
- Wisely, D. S. (2002). Parting Thoughts on Foundation Evaluation. *American Journal of Evaluation*, 23(2), 159-164.
- Wolfe, R. A. (1994). Organizational Innovation: Review, Critique and Suggested Research Directions. *Journal of Management Studies*, 31(3), 405-431.
- Woodwell, W. (2004). *Getting the Most from General Operating Support Grants*. Washington, D.C.: GeoFunders.
- Woodwell, W. (2004). *Leveraging What You Know: Knowledge Management Strategies for Funders*. Washington, D.C.: Grantmakers for Effective Organizations.
- Woodwell, W. (2005). *Evaluation as a Pathway to Learning*. Washington, D.C.: Grantmakers for Effective Organizations.
- Young, D. (2001). Organizational Identity in Nonprofit Organizations: Strategic and Structural Implications. *Nonprofit Management and Leadership*, 12(2), 139-159.
- Young, G., Stedham, Y., & Beekun, R. (2000). Board of Directors and the Adoption of CEO Performance Evaluation Process: Agency and Institutional Theory Perspectives. *Journal of Management Studies*, 37(2), 277-295.
- Zaltman, G., Duncan, R., & Holbeck, J. (1973). *Innovations in Organizations*. New York: John Wiley and Sons.