



The Synergos Institute  
The Process and Techniques of  
Foundation-Building, Experiences  
from Eight Organizations  
in Africa, Asia and Latin America

# Formation and Governance

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**1997**

The preparation of this series of case studies was made possible by support from the Ford Foundation, the Aspen Institute, the C.S. Mott Foundation and the Compton Foundation.

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## **Voluntary Sector Financing Program**

### **Case Studies:**

- The Foundation for the Philippine Environment
- The Esquel Ecuador Foundation (Fundación Esquel-Ecuador)
- Child Relief and You - CRY (India)
- Foundation for Higher Education (Colombia) (Fundación para la Educación Superior - FES)
- Philippine Business for Social Progress
- The Puerto Rico Community Foundation
- The Mexican Foundation for Rural Development
- The Kagiso Trust (South Africa)

### **Cross-Case Analyses:**

- Formation and Governance
- Organizational Financing and Resource Generation
- Program Priorities and Operations

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## Preface

### Background

In Africa, Asia and Latin America, citizen participation through a range of civil society organizations has become a growing and vital force. Civil society organizations have brought significant material and human resources from the community level to bear on poverty problems through donations of time, energy, materials and money.

Locally managed and controlled organizations that provide direct financial support to other organizations within their societies have been established over the last decade in many southern countries. A few were established twenty or thirty years ago. These organizations are injecting critical financial as well as technical resources into local civil society and mobilizing resources from a wide variety of sources both domestic and international for this purpose.

Few of them were created with a single large endowment, as was the case with most northern private foundations. Most of them rely on a wide range of strategies to mobilize financial resources including earned income contributions from individuals and corporations and grants from international organizations. Some managed donor-designated or donor-advised funds following the US community foundation experience.

General consensus over terminology has not yet been reached; these new types of organizations are usually referred to as "foundations" or "foundation-like organizations." Though many of these organizations have adopted legal identities as foundations or trusts, others are registered as nongovernmental organizations. In general, they differ in many ways from their northern counterparts. For example, they are more likely to mix program operation with grant-making. Many of them act as convenors of civil

society groups, as bridging institutions to other sectors of society or as technical assistance and training providers.

To distinguish this type of southern foundation-like organization from northern foundations we can use a term such as "community development foundation" or "southern foundation" or use a new term. One new term which has been proposed is "civil society resource organization" or CSRO. This term refers to organizations which combine financial assistance to community-based organizations and NGOs with other forms of support for organizations or the civil society sector as a whole. In this series of papers we will use the terms "foundation" and "civil society resource organization" interchangeably.

This expanding universe of foundations/civil society resource organizations around the world has not been systematically studied. As one of the first steps towards developing an understanding of this sector, Synergos responded to a request from a group of southern foundations. In April 1993, a group of foundations from a dozen southern countries met with northern foundations and official foreign aid agencies to discuss the emerging role of foundations in strengthening civil society in Africa, Asia and Latin America. A major outcome of the discussion was a decision to learn more about how these organizations are created, how they develop and evolve, and how they sustain themselves as philanthropic entities. The group decided on case studies and analysis as the most fruitful approach. The Synergos Institute, which works with local partners to establish and strengthen foundations and other financing organizations, accepted the task of producing case studies on these organizations. These papers are one of the products resulting from this effort.

## Methodology

A Global Advisory Committee of southern foundations guided the two-year effort by Synergos. The advisors selected eight geographically diverse cases from over sixty organizations identified through an initial survey. Local researchers were retained in each country and the Synergos research team worked with them and the Advisory Committee to develop a common protocol.

The protocol hypothesized four areas as key to the operational effectiveness and sustainability of southern foundations: origins and genesis of the institution; institutional governance; program evolution and management; and financing. The case researchers studied these issues via multiple data collection methods and sources. The primary method was to conduct direct structured interviews with individuals involved with each case organization, including board members or trustees, the managing director, staff members, grant recipients, and other relevant organizations. In addition to interviews, researchers gathered mission and vision statements, annual reports, operating strategies and plans, internal and external evaluations, financial plans and administrative procedure manuals. Data collected by the different methods were systematically organized into distinct databases which were the basis for each written case study. The case studies were coordinated by the Synergos research team, which then provided the funding to a cross-case analysis team for the preparation of three analytical papers. The two teams prepared condensed versions of the case studies for publication.

## Use of the Studies

The eight case studies bring to light key factors that have led these organizations to be successful, and the studies document the crucial

processes they have gone through to respond effectively to the needs of their national civil societies. Across the very different conditions that brought about their formation, the cases reveal that foundations/CSROs can play a central and strategic role in strengthening civil society. Their comparative advantage as resource mobilizers enables them to have a large effect both in stimulating new financing and connecting financial resources to the community-level where they can have the greatest impact. In particular, they have excelled at:

- providing seed resources for the growth of civil society organizations in their countries;
- leveraging diverse sources of financing for the projects and programs of civil society organizations;
- assisting northern foreign aid to be channeled to civil society in more sustainable and effective ways; and
- acting as an interface for public policy dialogue between civil society and the government and business sectors.

The case studies and the related analytical papers are a useful tool for those who wish to build foundations/CSROs around the world. Synergos hopes they will be widely used as a catalyst for the development and strengthening of this important group of institutions that provide financing to the voluntary sector.

## Acknowledgements

The case study project has involved the talent and contributions of many individuals and organizations over the last two years. We would like to acknowledge their efforts and emphasize that the project would not have been possible to complete without their contributions:

- 
- The Global Advisory Committee:  
Graça Machel, Foundation for Community Development, Mozambique; Cornelio Marchán, Esquel Ecuador Foundation; Ethel Rios de Betancourt, Puerto Rico Community Foundation; Kamla Chowdhry, Center for Science and Environment, India; Aurora Tolentino, Philippine Business for Social Progress; Paula Antezana, Arias Foundation, Costa Rica; Maria Holzer, Polish Children and Youth Foundation; Eric Molobi, The Kagiso Trust, South Africa.
  - The case writers: Teresita C. del Rosario, Alejandra Adoum with Angela Venza, Anthony D'Souza, Alfredo Ocampo Zamorano with Margee Ensign and W. Bertrand, Victor E. Tan and Maurino P. Bolante, Maria del C. Arteta and William Lockwood-Benet, Victor M. Ramos Cortes and Lauren Blythe Schütte.
  - The case studies research team:  
Betsy Biemann, S. Bruce Schearer, John Tomlinson, David Winder and Eliana Vera at The Synergos Institute and Catherine Overholt at the Collaborative for Development Action.
  - The cross-case analysis team:  
Darcy Ashman, L. David Brown and Elizabeth Zwick at the Institute for Development Research.

valuable research advice; staff and board members of the case organizations gave time, interviews and key background materials; Yvette Santiago, Miriam Gerace Guarena, Amelia Moncayo and Armin Sethna assisted in the coordination and production of the study documents.

Financial support for the project was provided by the Aspen Institute, the Compton Foundation, The Ford Foundation, The W.K. Kellogg Foundation and the Charles Stewart Mott Foundation.

In addition, a number of individuals made very important contributions to various aspects of the research: Kathleen McCarthy at the Center for Philanthropy, City University of New York and James Austin at Harvard University provided

## Introduction

### Description of Research Program and Cases

Civil society and its institutions increasingly have been recognized as critical to sustainable economic, political, and social development. Diverse civil society institutions offer opportunities for many different stakeholders to pursue their values and concerns. Civil society institutions engaged in development issues can mobilize the energies of and ensure accountability to grassroots groups that might otherwise be ignored. The diversity, engagement, and effectiveness of the institutions of civil society depend on many factors, including the availability of various kinds of political, informational and financial resources. Without such support, many of the local associations and networks that make up civil society may remain at a level of functioning and influence that severely limits their capacity to contribute to societal development.

Civil society support organizations provide a variety of services and support to civil societies. Some provide information and training, others provide research or technical assistance, some provide policy analysis and advocacy support, still others provide financial support and material resources (see Brown and Korten, 1991; Carroll, 1992). Such organizations face very complex environments, and they are often subject to conflicting demands from very diverse constituencies. Research and technical organizations, for example, must deal with the needs of civil society organizations but they are also subject to standards and expectations of the research communities from which they draw their credibility. These support organizations must deal with multiple “customers,” whose expectations and demands may be inconsistent or even contradictory (see Brown & Brown, 1983; Kanter and Summers, 1987; Brown 1991).

The civil society resource organizations (CSROs) that are the focus of this analysis are particularly concerned with two sets of customers: resource providers whose financial contributions enable grantmaking and grant recipients who carry out the social and economic development activities the organizations seek to promote (Hall, 1989; Ylvisaker, 1987). Resource-providers and grant recipients typically have quite different perspectives and interests that CSROs must manage, and the consequences of that “dual nature” infuse many of the organization and management challenges faced by the organizations.

This paper is one of a series that examines the formation and functioning of eight CSROs in very diverse countries of Africa, Asia, and Latin America. Table 1 provides a brief overview of the eight cases in terms of the location and date of founding, their founders and initial missions, and their present programs and annual expenditures.

These eight cases were selected to be the subjects of in-depth studies organized and conducted by The Synergos Institute. The case studies were undertaken around a common set of questions by case writers who were accorded full cooperation by the current leaders of each CSRO. The resulting first drafts provided a very rich analysis, ranging from 40 to 90 pages of text. The Synergos Institute has commissioned comparative analyses across the cases to help separate out lessons that are unique to the specific context of the case from patterns that recur across cases in many different settings. These comparative analyses seek to identify emerging patterns across the cases without sacrificing the richness of the cases as independent stories. Readers interested in more detailed descriptions of specific situations are referred to the full case studies, available from The Synergos Institute.



**Table 1: Civil Society Resource Organizations**

<b>Organization</b>	<b>Founders and Initial Mission</b>	<b>Present Program and Resources</b>
Mexican Foundation for Rural Development (FMDR) Mexico, 1969	Local business leaders and Catholic clergy founded to channel funds toward social development. provided \$2.2 million in 1994.	Support rural economic development with credit and training to farmers. Member quotas and government funds.
Fundación para la Educación Superior (FES) Colombia, 1964	Local business leaders and academics founded to mobilize and channel funds for universities.	Support education, science, cultural activities, health, income generation and environment with grants and training. Banking operations and external foundation grants for \$23 million in 1994.
Philippine Business for Social Progress (PBSP) The Philippines, 1970	Philippine corporations founded to promote social development and enable socially responsible business action.	Grants, credit, training and marketing assistance to promote area resource management, local empowerment, and intersectoral partnerships. Corporate donations and external resources for 6 million in 1993.
Child Relief and You (CRY) India, 1979	An Indian professional founded to channel funds to meet the needs of underprivileged children.	Support deprived children in rural and urban areas through grants and awareness raising. Sales of cards. Sponsorships and donations produced \$600,000 in 1994.
Fundación Esquel-Ecuador (FEE) Ecuador, 1990	Leaders from civil society and government founded with support from US foundations to support local self-help initiatives by the poor.	Support local self-help initiatives of poor groups through grants, credit and technical assistance for training, health, income generation, and environmental protection. External foundations, donor agencies, and debt swap provided \$1.6 million in 1995.
Foundation for the Philippine Environment (FPE) The Philippines, 1992	Government and civil society leaders and USAID and US NGOs founded to provide channel for funding local environment projects.	Support biodiversity preservation and community action on environment with grants and capacity-building. USAID grant and debt swap produced \$2.6 million in 1995.
Puerto Rico Community Foundation (PRCF) Puerto Rico, 1985	Local civil society leaders and the Ford Foundation founded to promote community and economic development, health, education, and culture.	Support economic development, community development, art and culture, health, and education with grants. Local donors and US foundations and corporations provided \$3.6 million in 1994.
Kagiso Trust (KT) South Africa, 1985	Civil society leaders and European community donors founded to channel funds to community-based organizations and apartheid victims.	Support community-based organizations, microenterprises, education and training, water and sanitation, and urban reconstruction with grants and intermediation. European Community provides \$24.9 million in 1992.

The papers in this series focus on three themes: (1) CSRO formation and governance; (2) generation of financial resources; and, (3) program priorities and operations. Each paper uses comparative analysis across the cases to identify major features of their operation, critical problems and challenges, and the kinds of strategies and tactics used to deal with these problems. The intent of the analysis is to develop insights into common challenges and problem-solving strategies that will be useful to other CSRO practitioners.

### **Conceptual Background: Formation and Governance of CSROs**

Individuals, groups, and the social context in which they operate are central to the formation of most nonprofit or nongovernmental organizations (NGOs) and foundations. Individuals and groups have the ideas, motivations, and energy to create new organizations and mobilize necessary resources (Schein, 1980; Leonard, 1989; Ylvisaker, 1987; Oberschall, 1973), while the social context provides material and institutional resources on which founders may draw (Weber, 1947; Scott, 1992; Hall, 1989).

In some ways, it is remarkable that these CSROs have survived at all. They endured a double “liability of newness” (Scott, 1992). Not only were they new organizations, facing the usual difficulties of survival past the start-up phase, but as organizations formed to provide financial and other kinds of support to members of civil society, they also represented relatively new organizational forms, facing the added problems of creating meaningful identities and ways of organizing in their social contexts. In many cases, the organizations were created to play a role that traditionally had been filled by national governments, whose limited capacities and sometimes inappropriate development poli-

cies had strained their ability to serve their civil societies adequately. Moreover, in seeking to create nationally-based institutions to raise and disburse funds, the CSROs were going against the prevailing “financial tides” in their own regions. Economists note that there are often more financial resources flowing out of these regions than there are flowing in, and it is well understood that finances contributed for the development of their civil societies are usually controlled by international, rather than national, organizations.

This paper explores the reasons for their successful survival and growth by analyzing the processes through which the CSROs were created. Their formation experiences may be understood in terms of three main challenges facing most new organizations: 1) the self-organization of founders, or the processes by which people who share a common vision meet and decide to form an organization together, overcoming barriers such as limited financial resources, a lack of previous experience in forming such organizations, and the high risks associated with forming new enterprises; 2) the creation of a formal organization which is legally recognized and legitimate in the eyes of its key constituents, nationally and internationally; and 3) the mobilization of the resources necessary to start the work of the organization in supporting and financing civil society. The next section presents the findings from comparing the experiences of each case in responding to the three challenges. The paper concludes with an in-depth discussion of the key issues for the formation and governance of CSROs that emerge from these findings.

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## Findings: Major Formative Challenges for CSROs

### Challenge 1: The Self-organization of Founders

Many individuals, groups, and organizations were involved in founding most of the CSROs, making it difficult to identify a discrete group of founders in several of the cases. There are two possible approaches to identifying the founders. One would be to focus on the initial sets of board and key staff members who played significant roles in generating the ideas and resources necessary to start the organizations. Another alternative, followed in this paper, would include all individuals and groups who played the most critical roles in founding the organizations, regardless of whether or not they became members of the organizations, once formally incorporated. This approach better reflects the reality of the cases.

In three of the eight cases, the very idea of founding the CSRO came out of joint discussions between national and international actors (PRCF, FPE, KT). The roles of the international actors, a US foundation (PRCF) and two international government agencies (FPE, KT), went beyond the usual donor role of giving financial resources; they also contributed ideas, time, support, and access to resource-rich networks during the founding of the new organizations. There probably would not have been new CSROs in these three cases if not for the participation of international actors. Moreover, as this paper and others in this series show, international actors often had significant, even determining, influence in shaping the subsequent development of some CSROs.

*Major Patterns:* The founders shared several common characteristics. First, most CSROs were founded by networks of people who shared common interests. In contrast to the

common perception in the US that organizations are started by singular, often charismatic, individuals (Schein, 1980) all but one of the CSROs, CRY, were started by networks of groups and individuals with shared goals and interests in creating financial support organizations. Even CRY's charismatic founder, Rippan Kapur, did not rely entirely on his own resources. He drew on his personal friendship network in creating his first board and staff of the organization.

Second, the founders were relatively privileged networks of groups and organizations, economically and socially, within their own national contexts. All but CRY were founded by members of the elite or professional classes of their societies, and several founders were considered to be leaders in their professional or political contexts (FEE, FPE, PRCF, KT, FES, PBSP). The top businessmen in the Philippines founded PBSP, for example, and KT was started by leaders of the most prominent church associations and unions in South Africa's anti-apartheid movement. Even CRY, founded by middle-class volunteers, originated in relative privilege in the context of India's extensive poverty. While these were not foundations started by wealthy individuals, the relative privilege of the CSROs' founders provided them with the experience, self-confidence, and access to resources which enabled them to conceive of and start their organizations.

Finally, all of the CSROs were founded in countries which had at least a moderate level of economic development by global standards, supporting the belief that such "modernization" can provide financial and institutional resources for the creation of formal organizations (Scott, 1992; Weber, 1947). The World Bank's Atlas (1995) shows that as of 1993, even the GNP of the lowest ranked country, Ecuador, was higher than more than 60% of the 160 countries

included in the Atlas. In terms of per capita income, all of the cases except for India ranked in either the lower or upper middle categories (out of four possible categories, from low to high income), and India has a very large middle class (which provided the majority of resources for CRY).

This finding does not mean that CSROs can only be started by relatively well-off groups and networks in countries that have achieved a moderate level of economic development. This pattern may be a result of the case selection process which may have missed cases started in very poor countries. However, the relative privilege of founding networks and their economic contexts does suggest that access to financial and institution of resources is very

helpful to founding new CSROs. Prospective founders in low-income countries may have to pay extra attention to opportunities for mobilizing the necessary resources for a new CSRO.

In addition to these commonalities, the founding networks of the CSROs differed from each other in two main respects: 1) the kinds of ties between founders and 2) the motivations which drove founders to create them. These differences gave the organizations distinct identities which shaped their responses to each of the three challenges of formation and governance. Table 2 shows the differences in the ties among network members in terms of their age and the extent to which they crossed national and sectoral boundaries.

**Table 2: Characteristics of Founding Networks**

<b>Cases</b>	<b>Age of Ties</b>	<b>Sectoral and National Identity</b>
FMDR	Pre-existing: Catholic businessmen's group	Domestic Market
PBSP	Pre-existing: three businessmen's groups	Domestic Market
FES	Pre-existing: university and city elite	Domestic Civil Society*
CRY	Pre-existing: friends of founder	Domestic Civil Society
FEE	Pre-existing: Grupo Esquel network	Domestic Civil Society
PRCF	New: Puerto Rican advocacy network, US foundations, US business	Domestic and International Civil Society and Market
FPE	New: Philippine NGOs; advocacy network, government agencies; US government and NGOs	Domestic and International Civil Society and State
KT	New: South African church, union leaders and EU government.	Domestic Civil Society and International State

\*University trustees and executives drew in other members of the city's elite, who were professionals and business leaders. They are considered as primarily civil society because they originally participated in their capacity as private citizens rather than as promoters of private enterprise or representatives of a given business, as in FMDR and PBSP.

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*Network Ties:* Column 1 of Table 2 shows that the ties among founding networks were either pre-existing or newly created for the purposes of founding the CSRO. Four CSROs were founded by pre-existing networks, of which three were formalized in professional affiliations (FMDR, PBSP, FES). The three CSROs founded by new networks were composed of groups and organizations that few previous interorganizational linkages. With respect to sectoral and national boundaries, the five pre-existing networks were based in one institutional sector: either the market (FMDR, PBSP) or civil society (FES, CRY, FEE). The three newly created networks (PRCF, FPE, KT) spanned both sectoral and national boundaries.

Considering age and boundaries together, it becomes evident that there were two basic types of ties among founding networks of the CSROs: they were either pre-existing and homogeneous in national and sectoral identity (FMDR, PBSP, FES, CRY, FEE) or newly created and heterogeneous, across national and sectoral identities (PRCF, FPE, KT). For the sake of discussion in the rest of the paper, these two patterns will be termed as either pre-existing or new ties, with the understanding that the terms also refer to the homo or heterogeneity of the ties. Pre-existing ties were based on long-standing shared values, goals and interests, while new ties were created through discussions and negotiations among relatively diverse groups with partially shared goals and interests, across international and sectoral boundaries.

*Motivations:* All of the CSROs were formed by social entrepreneurs who wished to support social and economic development in these countries. A closer look at the cases, however, reveals that, like the leaders of many organizations in non-profit sectors, CSRO founders were often driven by multiple motivations, ranging

from altruism to self-preservation. The cases describe both the social impacts desired by the founders of the CSROs, and the strategic reasons they chose to form new organizations to achieve those impacts. Table 3 shows the range of these desired impacts and strategies among the founders.

Two key patterns emerge from Table 3. First, the motivations for founding CSROs are often linked to the sectoral identity of the founding members. Both business-led networks wanted to promote productivity and human development, in that order (FMDR, PBSP). Both international state agencies, USAID (FPE) and the European Community (KT), were promoting foreign policy agendas of their home governments (environmental conservation and anti-apartheid, respectively). Civil society networks reflected the variety of their sector: their motivations ranged from the charity-like orientation of CRY, to the social responsibility of the elites who founded PRCF to provide education and health programs, to the social movement goals of environment (FPE), anti-apartheid (KT), and grassroots development (FEE), NGOs.

Second, the motivations of the pre-existing tie networks differed in some respects from those of the new tie networks. Most of the pre-existing tie networks were already engaged in some kind of social action, and decided to form an organization in order to increase their scope, impact, and autonomy (FMDR, FES, CRY, FEE). The new tie networks, on the other hand, came together around the opportunity to capture financial resources from international sources. These two different patterns in their formation experiences led to quite different patterns in the types of governance issues and conflicts the organizations faced.

To summarize the findings related to the self-organization of the founders, the compari-

**Table 3: Primary Motivations for Founding CSROs**

<b>Cases (Sectoral Identity)</b>	<b>Desired Social Impact</b>	<b>Strategic Reasons</b>
FMDR (Domestic Market)	improve rural agricultural productivity Mexican business financial resources	increase impact; capture US and
PBSP (Domestic Market)	productivity and human development; survival of business community	tax concessions
FES (Domestic Civil Society)	professional education in business and public health	gain control of existing US foundation grants; use grants to leverage other funds
CRY (Domestic Civil Society)	assist deprived children	increase impact; autonomy
FEE (Domestic and International Civil Society)	assist self-development of poor and identity;	CS: increase impact; regional autonomy
PRCF (Domestic Civil Society and International Civil Society and Market)	health, education, and community development	CS: capture US foundation and business grants ICS: develop Puerto Rican intermediary IM: tax concessions
FPE (Domestic Civil Society and International State and Civil Society)	biodiversity conservation	CS: capture US gov't. money IS: execute US foreign policy ICS: not clear in case
KT (Domestic Civil Society and International State)	assist apartheid victims; promote democracy movement	CS: capture EU gov't. money IS: execute EU foreign policy

CS: Civil Society; ICS: International Civil Society; IS: International State; IM: International Market

son of the cases shows that the founders were relatively privileged groups and networks who were inspired by a range of social, professional, and personal interests to create new organizations to provide financial and other types of resources to members of their national civil societies. Two types of networks founded these organizations: one was based on pre-existing ties among groups with shared values and goals, and the other was based on new ties among more diverse groups with partially shared values and goals. The networks based on new ties provided an opportunity for domes-

tic civil society groups to receive significant international funding. The discussion of the next challenge will show how these networks transformed themselves from collections of groups and individuals into legitimate formal organizations.

**Challenge 2: Creating a Formal Organization**

Once founders come together and decide to create a new organization, they must deal with two more challenges: creating a formal, legally

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recognized, organization and mobilizing the resources necessary to start operating programs. The cases indicate that these two challenges are handled simultaneously, rather than sequentially. For the purposes of this paper, however, we will look first at the processes of creating a formal organization, and second at resource mobilization. Resources and strategies for mobilizing them are more easily understood in the context of the needs associated with creating a formal organization.

Creating a formal, legally incorporated organization is especially important for organizations, like the CSROs that plan to receive funds from national and international sources. This section shows how each of the CSROs established a legal identity, designed and recruited a governing body, developed a mission, and created an organizational structure through which to do its work.

*Legal Identity:* Despite the fact that many of the founders came from either the market or state sectors, the CSROs all chose civil society legal identities, either as foundations or trusts. Such identities were consistent with both their social and strategic purposes. Their national legal codes provided benefits such as authorization of their social mission and the right to receive and disburse funds, tax concessions for donations and earned income (although the specific tax codes varied considerably from case to case), and governance structures independent from the state or other organized interests.

Two anomalies in the legal choices made by the CSROs show that the founders could be quite creative in the ways that they made use of their legal codes for the benefit of their organizations. CRY was incorporated with two legal identities, a Trust and a Society, but operationally used the Trust Form for governance. A second case, FES, became a financial intermediary, a legal

status unique to Colombia, which gave it the opportunity to generate significant financial resources and become a very powerful organization in Colombian civil society.

*Governing Bodies:* As foundations, all of the CSROs established boards to fulfill their key governance responsibilities, such as finding resources for the organization, ensuring accountability to donors, establishing legitimacy with key constituencies, and providing policy oversight and guidance (Stone, 1995). Given their dual commitments to generating financial resources and making grants to civil society, we might also expect their governance systems to include ways of linking the CSROs to key constituencies in different external contexts.

The CSROs adopted one of two basic governance models for choosing board members: 1) a membership body which elected its own representatives to the board (PBSP, FMDR); and 2) a founder-selected board who in turn elected or selected new members as necessary (FES, CRY, FEE, PRCF, FPE, KT). Sectoral identity seems closely related to this choice. The business-based founders chose the membership model, which allowed them to retain control within the member businesses, whereas the civil society founders and their international partners preferred a model in which the board is representative of a broader community. The discussion of board composition below, further illustrates this point.

The governance systems developed by the CSROs may be understood in terms of three main characteristics: 1) the composition of their members; 2) the structure of the systems, and 3) the nature of the issues and conflicts they experienced. The issues identified in the table do not describe all the governance dynamics of the CSROs, but they do identify some important legacies of founding choices for later gover-



nance. Table 4 shows all three characteristics of the CSROs.

*Composition:* The founders composed their boards to gain access to the necessary financial resources, legitimacy, and professional expertise. All but FPE and KT, which had significant start-up finances, initially paid more attention to their resource-generation environments than to their grantmaking environments. The two business-based CSROs composed their boards of

the founding business members. In both cases, board membership was considered prestigious, and prominent businessmen were elected to the boards. They viewed themselves as the key constituency needed for governance, and did not draw in other social or professional groups in choosing their boards.

More diverse boards were found among most civil society-based CSROs who did not start out with an extremely large sum of money (FES,

**Table 4: Governance of CSROs**

<b>Cases</b>	<b>Board Composition</b>	<b>Structure</b>	<b>Emerging Issues</b>
FMDR	Businessmen	Sub-committees: executive, regional	Market vs. social values: board-staff regional differences
PBSP	Businessmen	Sub-committees: executive, regional, special interest	Market vs. social values: board-staff differences
FES	University and city elite, including businessmen, lawyers	Sub-committees: executive, operational, advisory	Market vs. social values: VP of Social Development champions social values
CRY	Friends of Rippan Kapur	Single body	Market vs. social values: board-founder conflict over decision to hire MBA as CEO
FEE	Development professionals plus domestic leaders from business, academe, development sectors	Sub-committees: executive, operational, advisory	New directions for resource generation
PRCF	Domestic civil society plus domestic business leaders	Sub-committees: executive, operational, advisory	Strategic fit: failure of US business to continue giving
FPE	Interim: USAID, US NGO, PBSP representative Permanent: NGO leaders	Sub-committees: executive, advisory, regional	Strategic fit: Limitations of biodiversity mission in context of Philippine needs
KT	Church leaders plus high level anti-apartheid leaders	Single body	Strategic fit: Lengthy approval process with EU bureaucrats; required European NGO partners



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FEE, PRCF). They recruited leading domestic businessmen and other professionals to their boards if they were not among the founding group. The founders drew in businessmen and professionals in order to widen the base of domestic support for the CSROs, enhance their legitimacy in the eyes of potential donors, and utilize their expertise in management and financial resource generation.

CRY, the other resource-poor organization, chose board members in keeping with the volunteer orientation of its founder. CRY radically changed its board composition to incorporate businessmen and other professionals at a later point, suggesting that there is a common need for CSROs to bring key resource generation constituencies onto their boards. The two civil society-based CSROs, which started out with large financial resources (FPE, KT), paid more attention to enhancing their legitimacy in the eyes of their peers, such as environmental NGOs (FPE) and anti-apartheid leaders (KT).

Two of the civil-society-based CSROs (FEE, FPE) included the expertise and perspectives of social development actors (potential grantees) in their governance systems. FEE recruited experts in social development to serve on special advisory committees, and FPE's permanent board was drawn partially from domestic NGO leadership. While they believed that it would be detrimental to the effectiveness of the CSRO to include potential grantees as board members, due to potential conflicts of interest, FPE's founders took steps to establish legitimacy and accountability with constituents in the grant-making environment. Later on, two other CSROs (PBSP and CRY) did seek input from grassroots actors through consultations at the board level, suggesting that effective governance for some CSROs may require links to resource-receiving as well as resource-generating constituencies.

One final pattern to note in the composition of the boards is the on-going role of founders. All of the CSROs included most or all of their nationally-based founders on their boards, and three chose founders as CEOs (CRY, FEE, KT). While this pattern may be common to most new organizations, what seems to distinguish the CSROs is the on-going centrality and usefulness of the founders in the growth of their organizations. Whereas many founders in other organizations fall into the "founder syndrome", blocking necessary growth and change, CSRO founders continued to assist their organizations by recruiting new members and by facilitating strategic changes.

*Structure:* Column 2 of Table 4 shows that the board structures ranged from simple groups of board members and their officers (CRY, KT) to more complex bodies including a variety of specialized committees: executive, operational, advisory, regional and professional. There is no evidence that a more simple board structure hindered the effectiveness of CRY or KT. However, the more complex systems in other CSROs facilitated active board involvement in specialized oversight committees and operational decisions (FES, FEE). It also facilitated the wider participation of external constituencies (FES, FEE, PRCF, FPE). One implication for other CSROs is that boards who want to take an active role in the affairs of the CSRO need to develop subcommittees that specialize in different tasks, whether fundraising and accountability, constituency-building, or program development.

*Emerging Board Issues:* Any organization is likely to experience governance conflicts and challenges as it grows and responds to its environment. One major pattern is that organizations founded by networks with pre-existing ties, experienced conflicts between market-based priorities and social development values,

whereas those founded by networks with new ties experienced conflicts of “strategic fit” of the agreements made at formation with emerging operations. For example, three pre-existing tie organizations, (PBSP, FMDR, and FES) experienced tensions between board and program staff around the criteria for funding projects and evaluating their success. The board members (and finance staff) were oriented to financial and other hard indicators, while program staff and social development actors were concerned with social and process-oriented indicators. In a similar conflict, CRY’s board strongly disagreed with the founder’s desire to hire an MBA as CEO. The exception to this pattern, FEE, did not report similar conflicts at the governance level, but did have difficulty reaching expected levels of funding.

The three CSROs founded by weak tie networks, on the other hand, experienced conflicts due to the limits imposed by their original agreements. FPE’s leaders struggled to implement the US donor-imposed mission of supporting biodiversity conservation, which proved incongruent with the needs of most Philippine environmental NGOs and community organizations. Similarly, KT’s effectiveness was hampered by provisions made by its EU founders: its grant-approval processes was considerably lengthened by the EU’s bureaucratic constraints, it was forced to partner with European NGOs, despite the board’s view that there were many competent South African NGOs. KT’s alliance with an external government became a more serious liability when the basis on which the alliance was made changed. KT was left to establish a new identity and sources of funding when the EU switched its support to the new government of South Africa.

PRCF’s issues related to predicted funding sources: its international business partners did not maintain their initial financial contributions.

The tax concessions offered by a vehicle such as PRCF were reduced by changing tax laws and business interests, they did not continue to participate in PRCF. This led PRCF’s board to orient its programs more strongly to the interests of US foundations.

These two different patterns — pre-existing tie organizations facing market vs. social development value conflicts and new tie organizations facing issues due to the strategic fit between founding agreements and emerging demands — are important issues for other CSROs to consider. Such problems are inherent in the roles of organizations that bridge diverse contexts and constituents. The CSROs based on pre-existing ties among like-minded, but resource-short founders had to seek new financial resources in order to provide grants to civil society groups and support their organizations. This required them to meet market-based standards for financial management and performance (see the paper “Organizational Financing and Resource Generation” in this series). These standards were often experienced to be in conflict with needs and priorities of social development, which are qualitative as well as quantitative and process-based as well as outcome-based. While the pre-existing tie organizations were homogenous at the start, actual practice required them to deal with standards and expectations from other constituents. Three of these CSROs had CEOs and boards who remained in their positions for long periods of time (PBSP, FES, CRY); it is likely that one of their contributions was to provide leadership that could unite the diverse and sometimes competing priorities of the two sides of their organizations.

The new tie CSROs, conversely, started out with large sums of money from international sources who were not well-known to the founders. The financial strength of the international partners

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gave them great bargaining power in negotiating the initial agreements. In two of the cases, FPE and KT, the international governments imposed conditions on the domestic groups that later proved to be significant hindrances to their effectiveness in their national contexts. In the third case, PRCF, the ongoing commitment of the international business partners was the problem: when PRCF did not serve their business interests, they did not continue to be involved in the organization. In order to create new tie networks across sectoral and national differences, founders made agreements that severely constrained later choices. Without pre-existing ties and shared interests, negotiating mutually beneficial agreements capable of supporting the ongoing survival and growth of the organizations proved more difficult.

*Mission:* One critical task of the board of any nonprofit or nongovernmental organization is to approve a mission statement which provides direction for programs and strategies, and communicates the organizations' identity and purpose to broader funding and social constituencies. Table 5 summarizes the mission statements of the CSROs.

Given the innovative nature of these organizations in their social contexts, and their need to relate to multiple and diverse constituencies, it is not surprising that many developed lengthy and fairly complex mission statements. They included information about their broad social purposes (all eight), their primary tasks of grantmaking (FMDR, FPE, FES, PRCF), their values and identity (FMDR, PBSP, FEE), and in some cases the unique roles envisioned for themselves as social and economic catalysts (PRCF, FPE). The values and motivations of the founders described in the first section were concretized in the mission statements. Market-based CSROs were oriented to increasing economic productivity and human development; civil society-based CSROs were

concerned with problems of poor and disenfranchised groups, such as education, child relief, or self-reliance. In each case, the mission statements oriented the organization towards programs and activities envisioned by the founders and informed external constituencies about CSRO purposes, values, and strategies.

*Organizational Structure:* New organizations need structures through which to divide up and coordinate work. Each CSRO developed a structure to fit its own unique situation, but they all created separate units to deliver programs. Administration and finance functions were sometimes together and sometimes separate, but they were regularly separated from program divisions. Program divisions were responsible for grantmaking, program operations, and evaluation, while the finance and administration divisions were responsible for financial resource generation and management, administrative coordination and record-keeping. This organizational structure allowed staffs of different divisions the autonomy to operate in very different environments with different constituents, from the social development activists of the program divisions to the resource donors of the finance divisions.

At the same time, the different divisions had to be coordinated at the executive management and board levels. Usually the separate divisions were headed by vice presidents or directors who reported to the CEO. At the board level, subcommittees for overseeing internal operations were organized for program, administrative and financial functions.

To summarize the findings related to creating a formal organization, a number of common steps were followed by each of the CSROs. A legal identity as a foundation or trust was appropriate for providing financial and other kinds of support to civil society. Founders recruited to their

**Table 5: Initial Missions of the CSROs**

<b>Case</b>	<b>Initial Mission</b>
FMDR	Social Impact: Productivity and human development Values: Dignity, solidarity, efficiency, respect of nature Strategy: Temporary assistance to farmers
PBSP	Social Impact: Productivity and human well-being Values: Social responsibility of private enterprise Strategy: Prototype developer
FES	Social Impact: Train professionals in business and health Values: Higher education, autonomy Strategy: Administer international grants; fund research in higher education
CRY	No formal mission for 10 years, but implicitly: Social Impact: Assist deprived Indian children Values: Charity Strategy: Educate Indian middle class to give
FEE	Social Impact: Solidarity, democratization, support self-development of poorest people Values: Mutual respect, political, religious and commercial freedom, new development vision Strategy: Social transformation
PRCF	Social Impact: Social and economic development, sense of community, philanthropy Values: Support Puerto Rican development Strategy: Grant-making; catalyst
FPE	Social Impact: Biodiversity conservation and sustainable development Values: Support Philippine environment Strategy: Grant-making; catalyst; assist NGOs and POs
KT	Social Impact: Assist victims of apartheid Values: Solidarity, pro-democracy Strategy: Fund community-based organizations and groups

boards individuals who would extend the legitimacy and linkages of the organization to financial resource donors in domestic and international contexts or to social development actors in the national context. Organizations founded on the basis of pre-existing ties perceived their initial priority to be securing financial resources, and faced ongoing conflicts at the governance level between market and social

development values. Those founded on the basis of new ties, on the other hand, perceived their initial priority to be building legitimacy with their civil society constituents, and faced governance conflicts or issues stemming from the changing strategic fit of their original agreements. The dual nature of the organizations influenced both their mission statements and organizational structures: they developed

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relatively complex mission statements in order to communicate their purposes, values, and strategies to diverse constituents, and their organizational structures were designed to span both program and resource generation environments.

### **Challenge 3: Mobilizing Resources**

The variety of resources necessary to begin operating the CSROs can now be understood: they required financial resources to disburse to civil society members and support the functioning of their own organizations; informational resources such as legal knowledge and expertise in foundation governance, grant management, and social development; and legitimacy from the commitment of key individuals and their connections to important constituencies. This section examines the resources that the founding networks mobilized, and the strategies they used to do so. Table 6 shows the critical resources perceived as missing from each of the founding networks and the strategies through which they attracted additional resources.

*Critical Resource Shortages:* The CSROs' founding networks perceived resource shortages differently. The shortages were sometimes "real", in that without them the organizations could not have achieved their missions. Without new financial resources, for example, CRY and FEE would not have had the capacity to make grants. However, some resources perceived to be critical by some founders were ignored by others, who either did without them or learned from their own experience. Five sets of founders felt they needed more knowledge of foundation design and governance (FMDR, PBSP, FES, FEE, FPE), and sought advice. Yet the founders of CRY and KT, who did not have any experience with foundations, did not seek any advice

concerning how to design or manage them. Some CSROs found it important to extend their legitimacy with different groups in their environments; others did not. Founder perceptions, play an important role in determining what resources are mobilized to start any given CSRO.

The nature of the ties among founders may shape perceptions of critical resource shortages. Founders of homogeneous pre-existing ties focused on shortages of financial resources and foundation management expertise. For the most part, when they were concerned with extending their legitimacy, it was to enhance their likelihood of generating such resources. CSROs founded through more heterogeneous new ties, on the other hand, were more likely to focus on extending the legitimacy of their organizations with peers and constituencies in their national contexts. Since their resources came from external donors, they sought legitimacy with local leaders in order to better link their resources with national needs.

Although the CSROs were formed to bridge two environments, on the whole, they were more concerned with the resource generation context for start up operations. Only FEE and FPE invested in convening NGO consultations and appointing civil society leaders to their boards in order to create linkages to their grant-making environments.

*Strategies for Mobilizing Resources:* In most networks, resources were often mobilized through individuals and organizations affiliated with both domestic-based founders and resource-rich supporters, often in international environments. FES's university leaders had a relationship with a US university executive, who in turn provided connections to other US universities and foundations. FEE, PRCF, and FPE were all started with the help of US-based

**Table 6: Critical Resources and Mobilizing Strategies of the CSROs**

<b>Cases</b>	<b>Critical Resource Shortages</b>	<b>Mobilizing Strategies</b>
FMDR	Foundation model; Financial resources; Broader commitment of Mexican businessmen	Networked with US foundation and Mexican business community
PBSP	Foundation model; Social development expertise	Solicited international grant for technical assistance; allied with social development actors
FES	Foundation model International grants	Networked with US university and foundation leaders
CRY	Financial resources	Fundraising campaign and greeting card enterprise
FEE	Financial resources; Foundation model; Legitimacy and expertise of domestic NGOs	Networked with US foundations; Feasibility study; Study tour of Latin American and US foundations; Convened consultations with domestic NGOs; Recruited development expertise to board
PRCF	Legitimacy with domestic business community and civil society	Consulted and recruited businessmen to board of directors
EPE	Foundation model; Legitimacy with domestic NGOs	Study tour to the US; PBSP as interim board member; convened consultations with domestic NGOs
KT	Extended legitimacy with anti-apartheid movement	Recruited other well-known anti-apartheid leaders to board

organizations who created linkages with key US constituencies. A Puerto Rican officer of the Ford Foundation provided a critical bridge that helped to bring Puerto Rican and US interests together in PRCF. International foundations active in Mexico and the Philippines were contacted by FMDR and PBSP, respectively, to support their new foundations.

The founders were creative in developing a range of strategies through which they mobilized necessary resources. Table 6 suggests that informal networking was useful for acquiring information, new connections, and grants (FMDR, FES, FEE). More formal methods of

seeking information and expertise included feasibility studies, study tours and consultations (FEE, FES, FPE). Legitimacy with key constituencies was acquired through recruiting new board members and convening consultations with domestic groups (FEE, PRCF, FPE, KT).

As noted above, some founders started operations without some of the resources thought necessary by others. They followed strategies of doing without or learning from experience. CRY’s founders learned how to manage a foundation and run a greeting card business by doing it. KT’s founders learned how to manage grants through their own experience. PBSP’s

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business-based founders got access to poor communities through an alliance with social development actors, but identified learning from their experience as a strategic priority.

*Location of Critical Resources:* Most of the CSROs mobilized resources from both domestic and international sources. Domestic societies were sources of financial resources, expertise in grant management and social development, and legitimacy for many constituencies. Foreign supports, on the other hand, primarily offered financial resources and information about foundation design and management. Many of the US foundations that offered financial support also encouraged or welcomed study visits to US foundations (FES, FEE, FPE). International grants and foundation models probably provided additional legitimacy for these CSROs, especially with future international donor constituencies.

CRY, was the only CSRO to mobilize its start-up resources from entirely domestic sources, which suggests that it is sometimes possible to pursue a purely domestic resource generation strategy. CRY's founders and first board were volunteers rather than professionals; it started operations locally on a small scale; and it decided to generate financial resources through reaching out to the nation's middle class rather than international foundations or domestic business owners.

To summarize the findings of this section, a variety of resources in addition to money are needed to start a new foundation, including organizational models and management expertise; broad networks of social ties through which legitimacy with financial resource donors or nationally-based civil society organizations can be established; and knowledge of social and economic development. While most of the CSROs reached out through their networks to

mobilize needed resources, a viable strategy for several was to start operations on a small scale and learn from their own experience.



## Discussion and Implications for CSRO Practitioners

This paper started with the question of how CSROs which face the liabilities of being new organizations, and new kinds of organizations in their societies, can survive and grow. The cross-case comparison of how they dealt with the challenges of organizing the founders, creating formal organizations, and mobilizing resources provides some answers to this question. This section explores key findings in more depth and suggests some implications for those who are managing or starting CSROs.

*Social and Professional Networks:* The value of networks and networking emerges as one of the most critical factors in the creation and survival of the new CSROs. Networks, whether they are based on pre-existing or new ties, provide relationships through which people with common interests work together in creating new organizations. At the same time, they provide linkages to broader constituencies that may provide needed resources to the new organization. This finding is consistent with other studies of the formation and growth of new organizations (Blau, 1994) and social movements (Morris and Mueller, 1992). It is also consistent with studies of social and economic development that have found a relationship between the presence of cooperative relationships, or social capital, and more rapid and sustainable development (Putnam, 1993; Cernea, 1987; Brown & Ashman, 1996). Networks and networking are valuable resources for creating new organizations such as the CSROs. Social capital is a key resource for creating financial capital which can support civil society.

*Pre-existing vs. New Ties.* New CSRO founders may wish to consider both pre-existing and new ties in starting a new organization. Pre-existing

ties served as the basis for five of the eight networks which founded these CSROs, and were components within the three new-tie networks that founded the others. Pre-existing ties are more easily transformed into durable organizations, due to the shared professional, social, national, and personal identities and affiliations of the individuals involved. These characteristics also make it more likely that motivations and interests will be shared, facilitating the negotiation of formation agreements that are more long-lasting and supportive of organizational effectiveness.

Pre-existing ties, however, may also limit the diversity of constituencies that support the organization. This may be a serious drawback if the founding network does not have all the resources it needs to start up the organization or increase its impact. All the CSROs, relied on ties with people and organizations in different sectors or countries, or both, to amass the resources they needed to establish their own organizations. These ties were often made through the creation of some kind of shared identity or affiliation. Given increasing globalization and interdependence which is bringing people of different countries and sectors together more frequently, future founders are likely to have numerous such ties on which to draw.

New ties proved to be an effective way for founding groups based in national civil societies to acquire large financial resources with which to start their operations. KT and FPE, two of the CSROs founded by new tie networks, were able to disburse major financial resources to their civil societies and did not have to expend further energy in generating financial resources during their early years. However, their effectiveness in grantmaking and strategic response to changing contexts was limited by the conditions set by their resource rich partners.



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Founders relying on weak ties may be well-advised to pay attention to the strategic, motivations of their partners in order to negotiate mutually beneficial founding agreements. The combination of sectoral and national boundaries proved difficult for founders to bridge. When CSROs tried to span both sector difference (to state or market institutions) as well as national differences, problems of strategic fit were common (FPE, KT, PRCF). In contrast, the US foundations who served as founders in FEE and PRCF appear to have aligned themselves more congruently with the aspirations of the national civil society founders.

*Choosing Organizational Forms and Identities:* Another clue to the survival of the new CSROs is found in their choices with respect to legal forms, governing boards, and mission statements. Once the founders decided that they would create organizations providing financial resources or grants to achieve social impacts, they took an organizational form and identity that was commonly understood in their own and international societies, that of a foundation. All eight chose this identity in their own legal codes; all but CRY drew on foundation models and management practices known by their international allies.

This finding is consistent with institutional theories of organizational formation and survival (Scott, 1992; Powell and DiMaggio, 1991) and it raises a potential dilemma for new CSROs. To the extent that the foundation form and identity serves their purposes, it is to the advantage of new founders to adopt them. The cases confirm that it was an advantage in many respects: the founders gained autonomy and control of their finances and programs; tax concessions for both income generation and disbursement; and the right to be formally engaged in grant-making and other forms of support to civil society. However, to the extent foundation models conform

to the expectations of external constituents, but lead organizations away from the purposes of their founders, adopting them proves a disadvantage. The governance conflicts over the priority of market vs. social development values reflects this dilemma. Financial asset management, inherent in a foundation, conflicts with social development aspirations. This is not to suggest that the foundation model is not the best organizational identity for a CSRO. The best choice in any given society will depend on the legal code, social purposes of the founders and governance considerations. As the programs paper will show, many CSROs grew away from their initial foundation identities into organizations which provide a variety of resources and support to civil society.

One of the critical dimensions of choosing a foundation model and grantmaking as a primary activity is the responsibilities and roles in multiple contexts, as suggested by other studies of foundations (Hall, 1989; Ylvisaker, 1987). The organizations in these studies all created structures which enabled them to operate in two distinct environments, financial resource generation and social and economic development grant-making. As compared to the US community foundations (Hall, 1989), the dual environments of the CSRO are much more divergent. Financial resource generation is often geared to constituencies in domestic businesses or international agencies, where as grantmaking geared to domestic NGOs and community groups that are socially, politically and economically very distant. Governance systems were especially important in reaching out to both sets of constituencies and providing the leadership to guide the organization in reconciling their inevitable conflicts in priorities.

*Mobilizing Necessary Resources:* Finally, the findings of this paper show that founders ensured the survival of their organizations by

mobilizing financial and organizational resources that would enable them to function as organizations and make grants to civil society groups and organizations. Resource dependence theory would predict that relying on single sources of inputs will limit an organization unless founders and resource donors are allied in their purposes (Pfeffer and Salancik, 1978). The founding experiences of these cases show that drawing on a range of outside constituencies, often in both domestic and international environments, can strengthen a CSRO and its chances for survival. Again, the value of networks which span diverse constituencies for resource mobilization is emphasized.

New founders may have a greater likelihood of success in gathering needed resources if they pursue a variety of the strategies developed by these organizations. Expertise-based resources, whether foundation management, enterprise management, or social and economic development, can be learned through experience as well as recruited from external sources.

This discussion of the formation experiences of the eight CSROs has provided some evidence of the strategies used to ensure their survival and has identified some of the issues which proved to be on-going dilemmas. They ensured their survival by using existing networks and creating new ones to build alliances and mobilize resources necessary. They chose organizational forms and identities which were commonly known and understood in their own and key international societies, enhancing their legitimacy and ability to generate necessary resources. Finally, they paid attention to generating the financial and organizational management expertise which would provide them with a sound institutional base.

These choices also generated ongoing issues as CSROs developed their strategies, financing,

and programs. Their dual commitments to financial resource generation and grantmaking programs required them to find ways of bridging and being effective in two very different environments. Their alliances with external resource donors sometimes compromised their relationships with their own civil societies or limited program responsiveness. These issues — and others — are more fully explored in the other papers in this series, which deal specifically with the experiences of the CSROs in financial resource generation, program development, and organizational strategy and learning.

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## Notes