

PERSPECTIVES ON PHILANTHROPY

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ORGANIZATION MATTERS



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ORGANIZING FOR MAXIMUM IMPACT

I. ORGANIZATION MATTERS

A key element in effective philanthropy is alignment and integration of a foundation's organization so that every structure and every function contributes to achievement of the foundation's mission and goals. This must seem self-evident to those not familiar with the world of philanthropy. However, within that world, relatively little attention is paid to how best to organize for maximum impact. This lack of attention to organizational structure and function can be attributed, at least in part, to: (i) the natural inclination of foundations to focus on substantive directions, priorities, and programs, rather than on what may be perceived to be more mundane organizational issues; (ii) the need for new foundations to get up and running as quickly as possible in order to meet payout requirements, postponing issues of structure and function for later – often *much* later; (iii) the fact that foundations tend to attract and recruit individuals more interested in social change than in institutional structure and processes; and (iv) the tendency for each foundation to believe that it is so “*unique*” that it has little to learn from other foundations or from different kinds of organizations.

Accordingly, foundations often evolve with little thought to how they should be structured and operated to align with philanthropic mission and goals, optimize performance, and maximize impact. As a result, organizations that ought to be models of coherence, nimbleness, flexibility, responsiveness, and transparency, are too often overly fragmented, bureaucratic, rigid, unresponsive, and opaque. Not only does this lack of organizational alignment and integration impair foundations' effectiveness and impact, it also serves as a barrier to open and productive interactions with the very constituencies it exists to serve.

II. MAKING THE ORGANIZATION WORK

While issues of program design and strategy are what most motivate, excite, and preoccupy a foundation's board and staff, the effectiveness and efficiency of its day-to-day operations are often what determine the degree to which it is able to attain its ambitious goals and plans. Accordingly, issues of organizational design and operational strategy deserve to receive a substantial level of ongoing attention. The following represent some of the issues that should be addressed as a foundation's board and staff strive for optimum performance and maximum impact.

A. ORGANIZATIONAL ALIGNMENT

Just as foundations must keep their eyes on *The Prize* when designing their philanthropic programs, so should they remember their *raison d'être* when designing their organizational structure and *modus operandi*. This means each organizational unit should be designed for, committed to, and held accountable for, maximizing the foundation's philanthropic impact. Operationally, this means that: (i) every policy, process, and procedure is formulated and implemented to facilitate and expedite the foundation's philanthropic programs and activities; (ii) flexibility, accessibility, and responsiveness win out over bureaucracy and delay every time; and (iii) performance criteria,

measures, incentives, and rewards are created and implemented as a means of assuring the sustained attention of each operational unit to aligning with philanthropic mission, to facilitating program implementation, and to minimizing bureaucratic impediments.

The following paragraphs describe the implications of these principles for some typical organizational units in foundations.

Grants Management. Foundations with significant grantmaking activities often create a staff unit specifically dedicated to managing the processes through which grant applications are solicited, received, processed, awarded, and monitored. The purpose of such a unit is to facilitate and accelerate the processing of large volumes of inquiries, proposals and grants, especially for those foundations in which unsolicited proposals represent a substantial portion of their portfolio. A second purpose is to protect program staff from the burdens associated with managing the administrative aspects of these transactions, freeing them to dedicate the greatest portion of their time and energy to substantive, programmatic activities. In order to fulfill these purposes, it is necessary that a foundation's grants management staff develop:

- Consistent criteria and efficient mechanisms for handling inquiries, and for screening out grant applications that fall outside a foundation's areas of interest or do not meet its minimum requirements for funding;
- Mechanisms for logging in, acknowledging, and directing to the right program staff, letters of intent and full applications that pass through the initial screen;
- Strategies for expediting the awarding of approved grants;
- Mechanisms for logging in, acknowledging the receipt of, and directing to the right program staff, progress and final grant reports, and for requesting reports not submitted on time;
- Efficient, user-friendly electronic data systems for tracking inquiries, letters of intent, grant applications, grants, and reports, and for producing reports capable of capturing essential data and trends; and
- Open, trusting, and productive working relationships and communications channels with the program, financial, and legal staffs with whom they must work in order to carry out their roles effectively.

Communications. A foundation's communications staff has the responsibility for establishing and maintaining the channels and mechanisms through which foundation staff interact and share information among themselves, and through which the foundation communicates with external audiences and constituencies. *Internal* communications are critical to the organization's smooth functioning, as it increases the degree to which staff have access to a common body of information and knowledge, and to each other. Increasingly, *external* communications are seen as integral elements of a foundation's efforts to pursue its mission and achieve its programmatic goals. Through various communication strategies, a foundation can: (i) complement its grantmaking programs with campaigns aimed at raising public awareness of, and mobilize action on, issues,

problems, and situations it believes represent major societal threats and challenges; (ii) provide technical assistance aimed at helping grantee organizations be more sophisticated in using communications to achieve their goals; (iii) elicit the views of the communities it aims to serve through its programs; (iv) establish relationships among a diversity of organizations and institutions with which the foundation must work in order to achieve its goals; and (v) highlight the work of its grantees and of the problems on which they are working. To be maximally effective, staff responsible for the design and implementation of communications activities must work hand in hand with the program staff most directly involved in the issues being addressed.

Human Resources. The human resources function within a foundation serves to establish and carry out policies and processes related to people – recruitment, orientation, retention, retirement, and outplacement; compensation and benefits; performance review and promotions; and interpersonal conflicts. Fulfilling this function in such a way that advances a foundation’s mission, means developing and implementing: (i) recruitment strategies designed to identify and attract people whose background, experience, interests, goals, and reward structures make them suitable for philanthropic work; (ii) orientation programs designed to bring new staff rapidly up to speed on the essentials of philanthropy, foundations as institutions, and the nature of grantmaking, and on the programmatic, organizational, and operational characteristics of the foundation for which they are coming to work; (iii) job categories, promotion criteria, performance appraisal systems, and compensation policies that recognize the activities and attributes of effective grantmakers, and reward their work without necessarily requiring the assumption of greater administrative responsibilities; and (iv) strategies designed to keep foundation staff “fresh.”

Finance. Because foundations achieve their missions primarily through the transfer of money to grantees, finances figure into every facet of grantmaking, from application to final report. Accordingly, in addition to their responsibilities for asset and financial management, foundation financial staff are in a position either to facilitate or impede the organization’s grantmaking activities. They can facilitate grantmaking by developing and implementing financial application and reporting requirements and procedures that are designed to ease the work of both foundation program staff and grantee administrators, and the establishment and maintenance of an effective working relationship between them. Specifically, in collaboration with program and grants management staffs, they should: (i) develop budget formats for grant applications that are simple, easily understood and filled out, and minimally burdensome; (ii) require only those financial documents that are necessary for analysis of the applicant organization’s financial health; (iii) make grant payments on a schedule that is convenient and appropriate for grantees rather than one driven by what is convenient for the foundation; (iv) permit maximum flexibility in how grantees expend the funds they have been awarded to achieve the goals of the grant, rather than adhering to arbitrary and rigid formulae and thresholds; (v) develop financial reporting requirements and forms that seek only the essential information needed to determine how the foundation’s funds were expended; and (vi) reduce the amount of time program staff devote to financial matters by assisting them with the analysis of budgets and reports.

Legal. Legal considerations enter into many aspects of a foundation’s operations. On the non-program side, these include asset management, real estate, taxes, employment, risk management, and contracting with vendors. On the program side, a foundation’s legal counsel – whether internal, external, or a combination of the two – plays an important role in structuring the relationships and

transactions through which the organization pursues its grantmaking goals. In many situations faced by program staff as they attempt to create and exploit programmatic opportunities, there are legal ramifications that have to do with what is permissible under various federal and state laws and regulations, and with what is best for the foundation. In these situations, counsel can either see itself as facilitating the foundation's programmatic activities through the work of the program staff, or as the organization's legal watchdog, avoiding risk at all costs. At a minimum, counsel should: (i) structure grant award documents in such a way as to provide grantees with maximum latitude within reasonable limits; (ii) facilitate the development of creative organizational arrangements needed for collaborations among private funders, between private funders and public entities, and between funders and grantee organizations; and (iii) interpret laws and regulations concerning issues such as advocacy in such a way as to help the foundation achieve its mission, rather than keeping it so far from "*the line*" that it is precluded from using many potentially useful strategies.

B. ORGANIZATIONAL INTEGRATION.

As important as alignment of a foundation's organizational units is to achievement of its mission, the degree to which those separate units are integrated into a coherent functional whole is fundamental to ultimate performance and impact. It is critical that, in addition to each organizational unit carrying out its duties in a way that facilitates and supports programmatic goals and activities, they work together so that, collectively, they represent a smoothly operating, collaborative organism whose eyes are on *The Prize* of making a difference in the lives of the people it exists to serve. Keys to such organizational integration include: (i) management that leads the organization much as a conductor leads an orchestra; (ii) mutual trust and respect among staff of the various organizational units that must work together to make the foundation successful; (iii) hiring, performance review, and compensation practices that stress, recognize, and reward "integrative" behavior; and (iv) internal communication channels and vehicles that facilitate access among all staff to critical information about the foundation and its programs, and ease of interaction among staff throughout the organization.