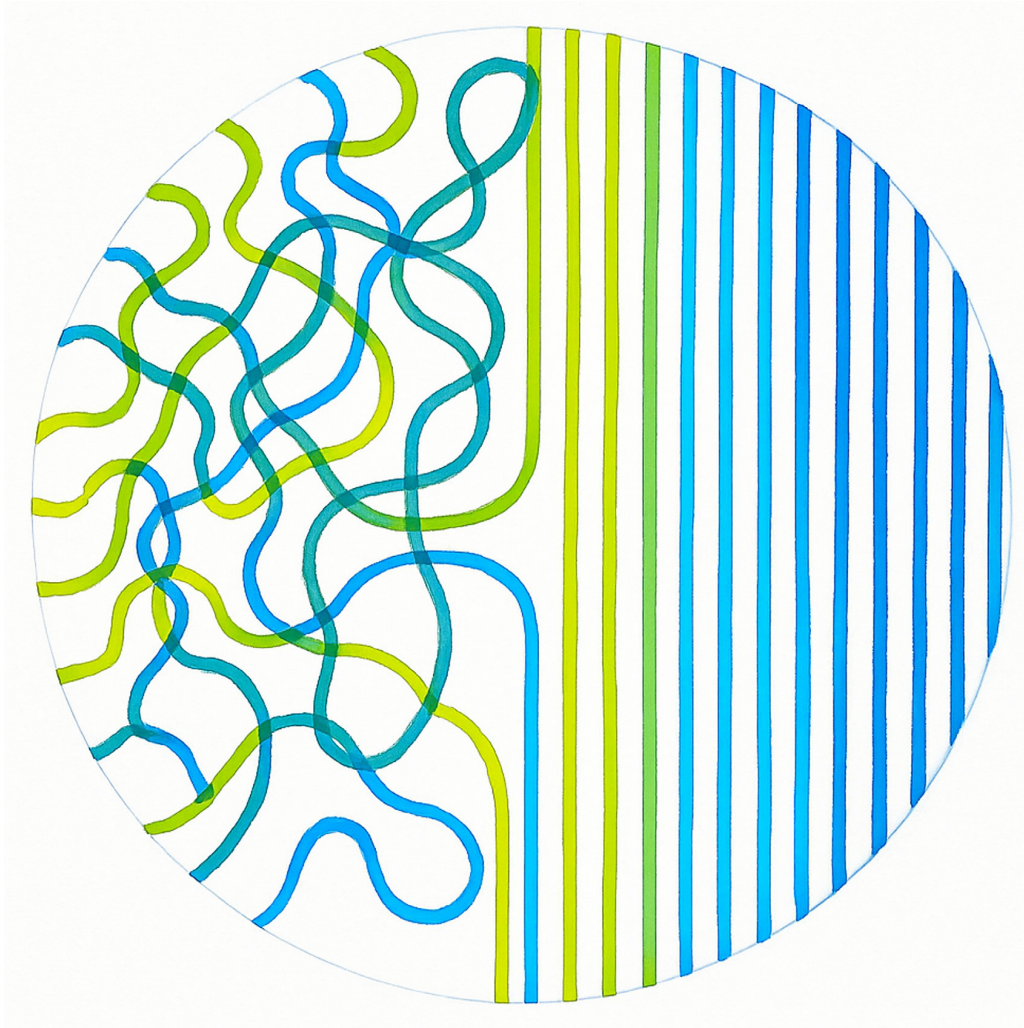


Monitor Institute

by Deloitte



What's inside
the house:

Is org design derailing your foundation's strategy?

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In the 1996 hit horror film *Scream*, the protagonist seemingly does everything right.¹ She locks the door, peers out the window, and prepares a defense—she’s ready to face the threats and challenges from outside. The twist is that the killer is already inside the house.

As it turns out, philanthropy could learn a lesson or two from the silver screen.

Philanthropy, too, is used to dealing with significant challenges in the external world. And as the world changes, funders are trying to adapt by looking for solutions that are more systemic, interconnected, and dynamic. Research shows that funders are increasingly implementing new strategies and approaches to grow their impact in this context: they’re collaborating more, considering equity across their work, partnering in new ways across sectors, working to shift power dynamics with grantees, and more.²

But as funders embrace these new ways of working, they’re undertaking them within organizations that were designed and structured for very different purposes. And in the Monitor Institute by Deloitte’s two decades of leading organizational transformation work with funders, we’ve found that this mismatch—between a funder’s *external strategies* and its *internal organizational design*—has the power to fundamentally derail even the best planned and most promising approaches.

When it comes to foundation transformation, just as in *Scream*, the killer is often *inside the house*.

That’s why some funders are beginning to look much more intentionally at their organizational design—the interconnected set of choices across a funder’s structure, processes, governance, and talent model that help it organize its work.³ Funders are recognizing that many of the “default settings” for organizational design in philanthropy that have developed over the years (see *graphic below*) may not be a great fit for the ways they now work, and are causing real—and potentially crippling—pain points within their organizations.

So our team spoke with more than 40 philanthropic leaders and organizational design experts across the country to understand the shifts around philanthropy that are at the heart of this dilemma and to explore how funders are now changing the ways they organize their work in response. We found that—given the dynamism and interconnectedness of the problems funders are now trying to address—many traditional organizational design settings can’t keep up any longer. Instead, funders are making advances that allow them to better align their organizational design to the impact they hope to create in the world. These new internal practices are helping funders:

- **BRIDGE**—to build stronger connections internally across the organization and externally with grantees, communities, and potential partners;
- **ADAPT**—to design for greater flexibility to better respond to changing external dynamics; and
- **DELIVER**—to execute work and create impact in faster, more efficient, and effective ways.

Philanthropy’s organizational design default settings

Foundations are often organized using a set of “default settings” that are rooted in the traditional strategies and practices of the field. For example:

- **Structure:** Work and teams are organized into distinct, functional: or issue-based “silos” or “fiefdoms.” Programming and operations are often structurally separate and are seen as two (very) distinct sides of the house.
- **Processes:** Teams create their own goals and strategies. Information typically flows upward, not horizontally to other teams for collaboration and learning, and rarely outward to grantees, communities, and other partners for input. Long-held assumptions about everything from budgeting rules to acceptable grant size are taken as givens.
- **Governance:** Decision-making is opaque, with lots of hierarchy and behind-the-scenes lobbying. The role of the Board and executive team is to approve and evaluate. Ideas from the Board are investigated thoroughly, regardless of strategic alignment.
- **Talent Model:** Staff are hired for deep issue-area expertise and tend to work only in that area, with many staying in place for a long time. Relationship-building is secondary to specific knowledge and expertise.

While any given funder may not have all these default settings in place, we observe practices like these to be relatively common across the field. While these practices may have worked well in the past, they may no longer be a good fit as funders try to adapt their approaches in a changing world.

How funders are responding

Part I. BRIDGE



“This is an era of integration and interdependence.”

– **Shruti Sehra**, Managing Partner of Ecosystem Building and Education, New Profit

In an attempt to gain traction against intractable problems, funders are finding ways to operate with a level of coordination and integration that can match the interconnected and systemic nature of the problems they are trying to solve. This is true both internally, where funders are trying to bring diverse knowledge and capabilities together to mirror the way issues intersect in the world, as well as externally, where funders are working to partner more effectively with a range of actors to make greater impact together than they can alone.

Bridging internally

The W.K. Kellogg Foundation (WKKF), with assets of \$8.8B and an aim to help vulnerable children and families achieve success, is an example of this shift. After more than eight decades of operation, the Foundation realized that its organizational design hadn't kept pace with the ways it had continuously evolved its work. As Dr. Alandra Washington, Vice President for Transformation and Organizational Effectiveness describes it, “We were too siloed,⁴ too rigid, and too bureaucratic. Staff were confused and didn't know where decisions lived. And it took us an average of six months to make a grant—think of all that can happen in a child's life during that time!” So over the past several years, the Foundation has undertaken a transformation process to better align its work and break down internal silos. As Dr. Washington noted, “We knew we could do better, and people were expecting us to do better.”

The Foundation made a series of changes that streamlined and improved its internal operations and decision-making. The changes started at the governance level. WKKF shifted the role of the Board so that it no longer approves individual grants but instead sets the high-level goals, or what they call “ends,” that the organization as a whole is working toward, such as advancement in early childhood education (ECE). Under this new governance model, the Foundation's leadership team, with significant input from communities and staff, is empowered to set the “means” to achieve these goals—such as increasing the number of high-quality ECE seats available for children—with individual teams setting specific tactics aligned to those means and their work. This shift allows the Board to remain focused on the organization's highest-level objectives and purpose, and provides the targets that help the entire organization row in the same direction toward a shared set of goals.

The Foundation also created a new organizational structure, called networked organization, centered around “pods” and “squads.”⁵ Pods are cross-functional teams composed of programmatic and operations staff—such as grantmakers, grantmaking administration, and finance—thus ensuring that each pod has the resources, expertise, and authority to work effectively end-to-end. Within each pod, there are sub-teams, called squads, with even more granular focus areas. For example, WKKF has a place-based pod focused on Michigan, composed of smaller squads that home in on multiple issue areas in specific cities like Detroit and Grand Rapids. The Foundation has five programmatic pods in total, some focused on geographies with others focused on larger, national systems.

Importantly, each pod works toward the Foundation's shared set of goals, rather than creating new, independent ones. And since the goals of each pod are already aligned with organizational goals approved by the Board, pods have the agency to make their own grants of all sizes, leading to more empowered and faster decision making. So not only are pods staffed so that they are *capable* of achieving their goals, they are *authorized* to.

Finally, keen to ensure its pods didn't simply become new silos, the Foundation designed new forums for collaboration where people come together across pods to share ideas and learning. A Program Officer, for example, might focus specifically on health equity within their Detroit squad. They would then collaborate with others working in Grand Rapids as part of the Michigan pod on ideas relevant to both geographies, and share lessons in an issue-centered forum with others focused on health equity strategies across geographies—all in the same day. WKKF has already seen new ideas cross-pollinating across the Foundation more seamlessly as a result, with several areas of joint funding emerging.

Reflecting on the transformation, Dr. Washington said, "We wanted to figure out ways to address the issues we see broadly in philanthropy within our own walls. As a sector, we talk about how siloed philanthropy is. This was our chance to take a hard look at ourselves and ask, 'How can we make real change by starting at the W.K. Kellogg Foundation?'"

And indicators suggest these changes have resulted in real impact for staff and grantees. Staff satisfaction jumped from the 25th to 75th percentile using The Center for Effective Philanthropy's Staff Perception Report, and Dr. Washington describes the Foundation as a "leaderful" organization with opportunity for team members to lead a range of pods, squads, and collaboration fora. The average grant is now completed in 60 days instead of 180 days previously. WKKF can now track progress toward its shared goals using a dashboard with data down to the county level. And Board members report a deeper and more holistic knowledge of the work of the Foundation, all indicating what's possible when a funder aligns itself to bridge internal divides in service of greater impact.

While a fully networked structure made sense for WKKF, it's not the only structural option available to help bridge internal silos. Other funders shared that they had success using more of a matrix structure, where programmatic and functional leads (like communications or evaluation) interact in cross-cutting, productive, and predictable ways. Another alternative is to embed functional staff into programmatic teams while also keeping them as part of a larger functional unit. For example, a policy team member might be embedded in a specific programming team—attending all that team's regular meetings and staying closely connected to their work—while still reporting back to the head of policy. This kind of embedded model helps ensure that both functional and programmatic teams have more context and alignment on their work.⁶

And structure isn't the only way to work across silos. In fact, organizational design expert Jim Cutler says, "Structure is often the easy thing to fix, but not always the right thing." WKKF coupled its structural changes with investments in process re-design using Lean Six Sigma,⁷ management training, performance management, culture, change management, and technology systems to better support its transformation.

Bridging externally

The increased focus on integration applies not just to internal divisions. Recognizing that large, complex problems are too big for any one institution to tackle alone, funders are looking for ways to bridge to external collaborators more seamlessly, too—whether that's by setting up deliberate teams and practices for external partnerships or by collaborating to share power with grantees, beneficiaries, and communities.

Some funders are creating **dedicated functions to enable stronger partnerships** with other funders, corporations, government, and even media. While it's long been common for funders to build external partnerships, traditional partnerships tend to be occasional, ad hoc efforts done in Program Officers' spare time. In contrast, a dedicated partnerships function provides committed capacity and focus. These groups are typically charged with identifying and cultivating

"Structure is often the easy thing to fix, but not always the right thing."

potential partners, as well as exploring joint work, which can range from sharing learning to co-investing. Reflecting on this trend, Jim Pitofsky, Managing Director of Strategic Alliances at Stand Together, said, "A lot of funders say they 'build partnerships,' but I've usually found that if it's everybody's job, it's nobody's job. As funders start to look at alliances and partnerships more intentionally as a way to amplify impact, there's a whole new energy and momentum today around what's possible—so much so we've even created a peer group for executives building strategic alliances." While not every foundation will need a dedicated partnerships function, it can be a helpful design choice for funders that do want to bring more rigor to why they partner, who they partner with, and how those relationships are managed.

Take, for example, the **Fetzer Institute**. As an organization working to apply spiritual solutions to social problems, Fetzer recognized the need to bring together like-minded funders and to expand its relationships with funders interested in the role of faith, spirituality, and love in the issues they fund—for example, looking at the intersection of faith and criminal justice reform or spirituality and youth development. So the organization built out a six-person "Ally Development" team charged with developing relationships with philanthropic leaders, individual donors, and donor advisors. The team has its own budget, which supports its ability to co-invest with partners and provide grantmaking resources for convenings that advance the field. Leveraging additional dollars and influence with partners allows them to support common goals at a greater scale.

As many funders are seeking to bring their work and decision-making more “proximate” to the communities they serve, they are exploring ways to challenge the traditional power dynamic between funders and grantees, in which funders make all the decisions and grantees often have to contort themselves to be selected for funding. As such, many funders are thinking critically about the structures, processes, and systems needed to **share power more meaningfully with grantees, beneficiaries, and communities.**

For instance, **NewSchools Venture Fund**, a venture philanthropy working to build a better education system, created a formal Advisory Council to review, provide feedback, and share funding recommendations on prospective ventures. The Council includes up to 32 members—students, parents, educators, researchers, and subject matter experts—who each represent different vantage points on the education system. Council members are compensated for their time and supported by a robust onboarding process and a dedicated team at NewSchools with relevant experience in community engagement.

While NewSchools has final decision-making rights over investments, it holds itself accountable for sharing decisions and rationale back with the Advisory Council. NewSchools also tracks any discrepancies with the Council’s recommendations and analyzes patterns over time. As NewSchools learns, it makes changes to the process to ensure that decisions are authentically informed by community priorities while still integrating expertise from NewSchools.

Funders can also create power-sharing processes for grantees and communities to shape other elements of the organization, such as their strategy. **The Headwaters Foundation** did this by starting its strategy process with grantee conversations and focus groups of people with lived experience in areas it had been working in, *asking them* to help define Headwaters’ theory of change and measures for success—something other funders typically leave to their Boards or senior leaders. This was possible because Headwaters had already cultivated strong, trusting relationships with its most important constituent groups—its grantees and the communities they serve.

A key to sharing power well, according to Pia Infante, Senior Fellow at the Trust-Based Philanthropy Project, is acknowledging power and thinking critically about how to hold it, and who should hold it, in a way that’s coherent with values, mission, and accountability. She cautions that “funders shouldn’t treat power like a hot potato,” by simply tossing power to their grantees or beneficiaries without a deep level of intentionality. Paying close attention to the organizational design components required to share power, such as the roles, responsibilities, and decision-making processes, helps bring the intentionality needed to do it effectively.

The size and complexity of today’s challenges can be daunting to funders trying to make a difference at scale. But purposeful organizational design—be it through more networked structures, partnerships capabilities, or power-sharing processes—can help funders bridge better with others both internally and externally. This kind of collaboration takes time and forethought. It often requires trial and error and compromise. But for funders who want to act bigger, bridging can open up new avenues for greater impact.

BRIDGE: Ideas for getting started

Changes to key organizational design elements—structure, processes, governance, and talent models—that can help funders better BRIDGE across internal and external silos:



Structure: Internally, look for less-siloed organizational structures like network-based teams or matrices. Externally, consider adding a new function to intentionally build relationships, shared efforts, and partnerships with others from the public, private, and social sectors.



Governance: Shared governance approaches become more important when working across groups internally, with other funders, and with grantees and beneficiaries. Ensure that Boards and senior leaders understand when and how this shared governance will occur before launching.



Processes: Greater connection internally and externally often means more “cooks in the kitchen.” It becomes critical to map process and information flows, as well as decision-making processes, in advance so that everyone knows their role. In hybrid work environments, teams also benefit from intentional in-person and virtual connection opportunities.



Talent Models: While content expertise remains critical, other relationship-building capabilities become relatively more important. Leaders need to be able to play well with others and co-design solutions.

PART II. ADAPT

“We’ve learned you can’t be too rigid.
You’ve got to have enough nimbleness to sway a little.”

– **Charles Fields**, Executive Vice President of Programs, The James Irvine Foundation

The need for funders to be able to adapt was brought to the forefront in 2020. As communities faced the COVID-19 crisis and racial justice protests erupted across the country, many funders saw the need to urgently respond. As they did, foundations often had to work around their traditional grantmaking systems, processes, and decision-making guidelines in order to move funding more quickly and with less red tape.

This contrast from business-as-usual grantmaking brought into relief how often funders set strategy without clear processes for learning and adjusting. But over the last decade, we’ve all learned to expect the unexpected, and funders are starting to build agility into their organizational design: the capacity to routinely learn and improve their work and adapt to whatever crises or opportunities may come next.

Building an adaptable organization

The James Irvine Foundation (Irvine) is one funder that prioritized building an adaptable organization. Founded in 1937 and with over \$3.3B in assets today, Irvine used to have a relatively “default setting” organizational structure. The Foundation had three programs, organized around distinct issue areas, that had relatively fixed budgets year in and year out. While each program was performing well, it wasn’t clear how the work across the Foundation added up to be more than the sum of the parts, and the fixed program areas and the budgeting process didn’t leave much room for adaptation.

So when Irvine undertook a new strategy process, its first step was to set its north star—a California where all low-income workers have the power to advance economically—to unify programmatic work and align it to a singular goal. The second step for Irvine was to develop a new organizational design that would allow the Foundation to be more adaptable as it worked toward its north star. As CEO Don Howard noted, “A foundation’s work can become rigid without organizational structures that allow for dynamism and flexible thinking about resources.”

One of the structural changes that Irvine made to increase its adaptability was moving from its “program” model to a new “initiative” model. Unlike programs, initiatives at Irvine are 7-12 year timebound efforts that have clear goals; a multi-year budget aligned to those goals; a set of “core” grantees given flexible funding over the life of the initiative; an intentional measurement, evaluation, and learning approach; and a dedicated, cross-functional team to execute on the work. At the endpoint of an initiative, Irvine can wind it down or, more typically, take the learnings to develop the next iteration of the work as a new initiative with updated goals, timelines, and corresponding budgets. The sustained but timebound initiatives at Irvine provide a balance between predictability for grantees and the field while also allowing the Foundation to adapt the work in meaningful ways as initiatives transition.

In conjunction with the new initiatives structure, Irvine created a Program Development function with an explicit mandate to explore, experiment, and adapt. Program Development staff work with internal Foundation leaders, colleagues working on existing initiatives, and Irvine’s broad external network—which includes leaders from other funders, government, business, organized labor, and nonprofits—to identify and support early ideas that have the potential to grow. These ideas can evolve into grantmaking areas that cut across Irvine’s set of initiatives or into new areas of exploration for existing initiatives. And as an existing initiative approaches its endpoint, the Program Development staff play a key role by partnering with initiative teams to reflect on evaluation results and grantee feedback to refresh and adapt that initiative. The function also provides capacity to take on shorter-term grantmaking in response to specific emergencies or opportunities. As Charles Fields, Irvine’s EVP of Programs reflected, “We need people who have fluidity, who can move around and be nimble, who can see things in the distance.”

In addition to these structures, Irvine also updated key processes to increase its agility. For instance, the Foundation's budgeting process starts with financial scenario planning to prepare for the effects on spending based on different endowment investment returns. Even in a low-return scenario, the Foundation works to ensure that its multi-year initiatives aren't cut due to a lack of funds and can continue as planned. The Foundation also adds to an "unallocated" budget that is drawn down over the year to experiment with new ideas and respond to unplanned crises and opportunities. Similarly, the Foundation staffing processes also allow for greater responsiveness. Irvine's program staff colloquially think of their work in terms of "majors" and "minors." So a staff member's major may be working on a multi-year initiative with 75-85% of their time, while their minor may change more frequently to a range of internal projects, short-term grantmaking efforts, or explorations of new ideas. The combination of Irvine's budgeting and staffing processes ensures that the Foundation has *both* the funding and staff capacity to adapt to new ideas. And this combination allowed Irvine to respond adeptly to the crises of 2020.

When COVID-19 led to global shutdowns and pressure mounted to address racial equity in the U.S., the Foundation invested \$22 million in COVID-19 response for its grantees and an

additional \$20 million in funding for racial equity. The Foundation's adaptable budgeting processes allowed it to quickly fund these priorities and its flexible staffing model enabled

"People miss the influence that structure has on impact. It may seem boring, but it's tremendously important"

program staff to lean into the challenges, supporting grantees and working on issues of racial justice in deeper ways. And the Foundation's Program Development function provided a short-term organizational home for much of this work, allowing for real capacity to carry out these efforts effectively.

What Irvine also found was that the ability to adapt in the short-term also helped the Foundation adapt in a more fundamental way in terms of advancing racial equity in 2020. While issues of equity had always been a focus of the Foundation's work, racial equity had not been explicitly named as an organizational anchor in the same way as its north star. As Irvine was responding to the events of 2020, it realized this was an opportunity to cement and cascade its commitment more deeply throughout the organization. This included creating a Board statement affirming its support for racial equity, updating goal setting and accountability processes to ensure racial equity is embedded in each Board committee charter and each team's programmatic work, and integrating racial equity into a number of its talent practices, including providing budget for every staff member to advance their own learning. Irvine was well-positioned to make these changes in 2020 because it had already designed itself with the capacity to change.

For funders considering how to be more adaptable in their own work, Irvine's journey highlights a few lessons. The first is that Irvine had to find the right mix of consistency and adaptability. Irvine's north star and commitment to racial equity provide a long-term direction for the Foundation, and the 7-12 year timelines of its initiatives provide important medium-term focus. The second lesson is that adaptability is much more than just a mindset. The Foundation didn't just instruct staff to be more adaptable and hope for the best. Instead, Irvine's journey to be more adaptable required significant changes to budgets, staffing, and programmatic structures. These structural changes combined with and mutually reinforced a mindset shift at the Foundation toward greater adaptability. As CEO Don Howard sums it up, "People miss the influence that structure has on impact. It may seem boring, but it's tremendously important."

Building adaptable learning and talent models

In addition to redesigning structures and processes, other funders are also looking closely at their talent models and learning systems to increase adaptability.

In terms of **talent models**, funders are looking to add more nimbleness to their organizations through the staff they hire, either through the profile of their staff or structures to bring in fresh perspectives.

Venture philanthropy **New Profit** has long prioritized hiring for and developing a "generalist" skillset, rather than a deep, PhD-level subject matter expertise in the areas it funds. Many other funders are also making this shift. Having staff who can work across issue areas as effective facilitators, strong relationship builders, and inquisitive observers provides funders like New Profit with a varied set of capabilities that can be more nimbly redeployed to respond to shifting circumstances, build connections across different issues areas, and specialize in creating deep relationships with others.

The William and Flora Hewlett Foundation uses more structural elements to inject renewal and adaptability into its talent model. The Foundation established eight-year term limits for Program Officers and Program Directors. This approach creates capacity for Hewlett to transform regularly by bringing in new perspectives, new backgrounds, and new strategies into the Foundation's core programmatic work. For example, as the Foundation shifted its strategies to support more diverse and local communities, it was able to bring in program staff with relevant experience in just a few years. Hewlett manages these staffing cycles by providing generous severance and career support to departing staff, coupled with a robust training and learning regimen for new programmatic leaders.

Other funders have experimented with bringing in bursts of talent through even shorter-term positions, like fellows or entrepreneurs-in-residence. These time-bound roles are another way to bring in fresh ideas, but also require enough organizational support and structure to help these ideas develop and stick.

Funders are also creating intentional **learning structures, processes, and norms** to inform and enable adaptation.

For example, **The Skoll Foundation** works to ensure it's always learning from its past work and adapting to make better decisions in the future. The Skoll Foundation conducts before- and after-action reviews for key projects, which are structured processes for teams to review the objectives and tactics for a project and assess what went well and what could be improved. Building on these reviews and insights from grantees and partners, the Skoll Foundation incorporates dedicated reflection time into its annual planning process to help prioritize which opportunities to pursue in the coming year. And the Foundation holds quarterly learning check-ins with the executive leadership

team and cross-team learning sessions to ensure learning from each team rolls up to inform decision-making at the highest levels. Normalizing these practices helps learning become not just a process but also a way of working engrained in staff behavior.

Funders looking to respond to today's ever-evolving challenges may feel like they are stuck in rigid structures and systems that don't allow for the nimbleness they need. But these examples show it is possible to design for adaptation while maintaining consistency where it matters most. This intentionality can set up funders to perform at their best, regardless of how the world changes around them.

ADAPT: Ideas for getting started

Changes to key organizational design elements—structure, processes, governance, and talent models—that can help funders better ADAPT to shifting circumstances:



Structure: Consider alternatives to indefinite programs and program teams. For example, consider term limits for program staff or timebound structures that allow for enough time to achieve meaningful goals (e.g., 5-10 years) but are designed to end or meaningfully transition to give space for new opportunities. Additionally, explore additional teams or structures to help better respond to short-term crises or opportunities.



Governance: For funders to meaningfully adapt to circumstances on the ground, teams require significant autonomy and decision-making processes that emphasize speed. Boards and senior leaders can still approve goals and budgets and teams should be accountable to those goals while also having the authority to make necessary changes in strategy and tactics toward achieving those goals.



Processes: More precise spending forecasting and budgeting processes become critical when transitioning from large, stable programs to more nimble programmatic models. Tracking and sharing goals, KPIs, statuses, and learnings across bodies of work is also an important feature.



Talent Models: For many funders, staff time and capacity—not money—is often the limiting factor in being more adaptable. Finding capacity, either by having a dedicated team or reserving 20-30% of staff's time to work on more responsive projects, is a key factor for success. Additionally, staff with a more generalist skill set that can work on different kinds of projects and across issues is often important.

PART III. DELIVER

“It’s our job to get the people who best align with our mission the most money possible with the least amount of friction.”

– **Dr. Carmen Rojas**, President and CEO, Marguerite Casey Foundation

Funders want to make the most of their resources, but without clear feedback loops—like customers refusing to buy a business’s products—there isn’t an existential or competitive threat to drive improvements. This can lead to organizational malaise and create real problems for grantees, partners, and communities. The drive to deliver more effectively in philanthropy typically comes from inside, and needs to be rooted in clarity of purpose about what the organization is trying to do and a deep commitment to actively managing all components of an organization’s design to improve performance.

Delivering impact

The team at the **Marguerite Casey Foundation** (MCF) in Seattle, Washington, knows this well. Established in 2001 and currently managing \$825M in assets, MCF’s mission is to “support organizations, scholars, leaders, and initiatives focused on shifting the balance of power toward communities, families, and individuals who continue to be excluded from shaping society and from sharing in its rewards and freedoms.” But as the Foundation approached 20 years of operation, it realized that its efforts were spread too thinly, as evidenced by a large portfolio of grantees working across a wide range of issues and approaches. To increase its effectiveness, MCF started by narrowing its focus. Specifically, it decided to concentrate its portfolio on local organizations doing direct community organizing and focus its role on distributing funds to these organizations as seamlessly as possible. Summarizing these changes, President and CEO Dr. Carmen Rojas noted, “We’re not a partner. We’re not a friend. We are a financial institution. It’s our job to get the people who best align with our mission the most money possible with the least amount of friction.”

This shift in strategy required MCF to change its organization to match the new work. To ease friction for the organizations it funds, MCF now focuses on providing predictable financial support through efficient philanthropic transactions. Rather than making grantees apply for specific programmatic grants, the Foundation provides five years of general operating support

at a scale that covers 25% of the grantee’s budget each year. Both the timeline and the scale of funding provide grantees with what Dr. Rojas calls, “a bubble of oxygen,” giving them flexibility to experiment with different approaches without being tied to specific funder restrictions. In conjunction with streamlining its support, MCF simplified its grantmaking processes, focusing on reducing burden on grantees and allowing funds to flow as easily as possible.

MCF also updated its structure and talent model to better support a smaller number of grantees in a bigger way. Because the organization provides significant, long-term support, its program staff doesn’t have the same churn of other funders in terms of finding new grantees, processing one-year grants, and managing large portfolios of grantees. As a result, MCF has just three program staff and 17 operations staff. Their role is to streamline grantmaking, to help as needed (including connecting grantees to other funders), and to otherwise stay out of the way in an effort to make the Foundation the most efficient steward of funds possible.

Finally, to support its strategic shift, MCF also addressed questions of Board governance and composition. In particular, the Foundation prioritized adding Board members with both values alignment with the organization’s work and substantive expertise around community organizing and advocacy. The current Board represents MCF’s grantee institutions, public institutions, and national racial justice organizations. Its role is to provide high-level guidance and hold the CEO accountable to the Foundation’s mission. And while it still approves grants, it does so by approving a full docket of grants at once, instead of getting bogged down in individual grant details, allowing for faster disbursement of funds.

Further reflecting, Dr. Rojas said, “We want to be the best givers-away of money possible. Getting clear about that has been a gift.” That clarity has enabled MCF to align its processes, structure, talent model, and governance to deliver effectively on that goal.

Delivering efficiently and effectively

Other organizations are also taking important steps to optimize their internal design to better deliver for their grantees, partners, and communities.

The David and Lucile Packard Foundation, established in 1964 as a family foundation to advance a range of issues, had intentionally varied and disparate grantmaking processes and requirements across its different programmatic teams. While this variety had some benefits related to team independence, it also led to confusion among grantees that worked with multiple different parts of the Foundation and made it impossible to understand data across the programs. To streamline processes and improve data collection, the Foundation **centralized its grantmaking operations** so that all teams use the same systems and approval processes, making applications more coordinated. Not only did centralizing grantmaking enable understanding of data across the Foundation, but it also resulted in measurable benefits to grantees: over a three-year period, Packard saw the number of hours grantees spent in applying for a grant drop from 40 hours to 25 hours.

Another way funders are working to deliver better is by carefully considering how program and operational staff can best work together. A number of funders have recognized that programs and operations teams too-often work in isolation, leading to bureaucracy and a lack of coordination between both sides. To ensure collaboration, some funders have taken the time to develop clear **workflows and decision frameworks that identified where program and operational teams need to align** before new programmatic work could be approved. This approach has helped teams think ahead and proactively address issues between programs and operations before they arise, ultimately saving time and headaches. As one foundation executive explained to us, “Operations shouldn’t be seen as ‘the tail that wags the dog,’ but rather as the spine of the dog.” When done effectively, operational functions can enable greater impact, serve as a valued partner to programmatic teams, and protect the broader organization from imprudent risks.

Lastly, as many funders are considering equity a core part of how they deliver impact through their grantmaking and external activities, they are developing internal **structures and**

processes to incorporate it more deeply into their work.

How funders do so varies widely. Some funders have established more centralized equity functions with distinct impact goals, stand-alone programmatic budgets, and dedicated teams. In this case, the leader of the equity function is primarily accountable for creating and executing a strategy and grantmaking portfolio to advance a funder’s equity goals.

Other funders have created a team of “liaisons” who work to deeply embed equitable strategies and practices into existing programmatic teams and coordinate equity-related work across the organization. Funders choosing this path decide that programmatic leaders are ultimately accountable for equity-related goals and that the role of the equity function is to provide expertise, coaching, and coordination across programmatic work.

Others still may eschew dedicated teams altogether and work with advisors, trainers, and consultants to ensure that various parts of the organization have the necessary level of knowledge and direction. In this configuration, a funder’s senior leadership is ultimately responsible to ensure that each group—programmatic and operational—has robust equity-related practices and goals.

While there are benefits and challenges to each of these approaches, funders shared that being clear about the purpose of an equity function helped them choose the right structures.

As Maya Bodan, leader of Deloitte Consulting’s Organization Strategy & Design practice, points out, “When it comes to organizational design, it’s not really about looking for flashy new things. It’s more so about coming back to the basics and making sure an organization does those things really, really well.” This advice may be especially salient for foundations looking to improve the efficiency and effectiveness of how they deliver their programs. Paying close attention to each element of a foundation’s organizational design—structure, processes, governance, and talent model—and making sure those elements are aligned to one another and the organization’s broader purpose can go a long way toward more efficient and effective performance.

DELIVER: Ideas for getting started

Changes to key organizational design elements—structure, processes, governance, and talent models—that can help funders DELIVER more effectively and efficiently:



Structure: While there isn’t any one structure that helps funders better deliver, ensure that structures are in service of broader foundation goals, such as efficiently distributing funds or supporting local communities.



Governance: Governance processes for many funders slow things down and add complication. In some cases, these tradeoffs are necessary, but in other cases it is possible to move to more streamlined governance frameworks that improve efficiency and maintain strong oversight.



Processes: Steady process improvements are an important part of delivering better over time. Identify an important process, like grantmaking, and focus on a part of that process to improve, for instance how long it takes to make a grant. Try to improve that process by 10% and then identify other processes to improve (e.g., staffing, budgeting, compliance, etc.).



Talent Models: Funders often underinvest in training their leaders and, when they do receive professional development, it is often focused on their issue area (e.g., health, education, arts, etc.) or core programmatic work. Funders should consider professional training for other important areas of a leader’s role, such as managing a team, conducting performance reviews, crafting a detailed budget, and media training—among others.

Finding the right balance

As funders consider changing their organizational design to help them better BRIDGE, ADAPT, and DELIVER, they can struggle in deciding how far to go. In our view, the most common risk is not going *far enough* to make significant changes, as funders are tied to old ways of working and are hesitant to disrupt current teams, structures, and processes.

But it's worth noting that another risk is going *too far*. Some funders can be overzealous in designing and implementing changes to their organizational design. Here are some countervailing ideas, shared with the intention of helping each funder find the right balance for their own work.

BRIDGE: Organizational silos aren't *always* bad. In some circumstances, like in scientific discovery or research and development, it may make sense for autonomous, highly-specialized teams to work more independently. Even for these groups, though, it's vital to have enough of a tether back to the organization and assurances that what they're doing is mission-aligned. That mission-alignment is also important when working with other organizations externally, as it can be easy for funders to get sucked into marginal projects for the sake of deepening relationships with others.

ADAPT: A common critique is that philanthropy is *too* adaptable, chasing shiny objects but failing to make necessary commitments to issues, communities, and grantees. Indeed, funders that prioritize adaptability too much can become rudderless. Successful funders strive to find the right balance between adaptability and consistency, and are intentional about the parts of the work that are more predictable. For instance, a funder's values, north star, and mission may not change for a generation. And for medium- and short-term work, funders can still provide grantees with multi-year funding where possible and clarity about timelines.

DELIVER: As is often noted, the word philanthropy means "love of human kind." Part of what makes philanthropy special are the relationships, bonds, and shared struggles to make the world a better place. Philanthropy can't (and shouldn't) be reduced to spreadsheets and process efficiencies without the space for deepening community ties or exploring novel approaches. But, at the same time, when funders operate more efficiently and effectively, it has tangible benefits for grantees and communities.





Leader to leader: What it takes to change

Successful implementation of significant changes to an organization's strategy and design requires that leaders guide their organizations through a complex and often challenging period of organizational transformation. It's why mismatches between strategy and organizational design are so common—because changing them is so difficult.


We asked leaders in philanthropy about their top advice for successfully navigating this change. Here's what they shared:

 *"If our timing was better, the transition would've been a whole lot easier."*

The first decision that leaders will need to make is *when* to undertake significant organizational change. Leaders we spoke with considered a range of factors: the external environment and potentially distracting major events, the readiness of internal and external stakeholders, and the level of internal change fatigue if the organization had already undergone major shifts.

Leaders that had a clear and unwavering mandate from their Board often emphasized the value of moving quickly. At the same time, those who were newer in their roles expressed the benefits of waiting to lay the groundwork required for change.

There's never a perfect time to transform an organization—but leaders should carefully consider how timing will impact each of their key constituencies (from the Board to staff, grantees, and communities) to determine when their organization is ready. Leaders should also anticipate that transitions will take time (12-24 months in our experience), and plan for how the work gets done over that timeline.

 *"Change has to come from the top. There has to be absolute consistency among leaders in approach, messaging, and implementation."*

"Leadership buy-in matters," is a trite observation that applies to most major decisions that a funder can make. But it's especially true when discussing organizational transformations. Leadership resolve can either make or break a change effort.

Executive teams should come to agreement on the role they will and will not play during a change effort. Strong executive teams typically agree not to allow for back-channel lobbying to influence the process, to speak as one voice about organizational changes, and to quickly correct rumors or misinformation. As leaders become clear on the internal behaviors they will encourage or correct, they are better equipped to bring about change and to ensure that changes are implemented with fidelity.

During the change effort, leaders play a critical role in communication—sharing what is changing and what is not, and repeating messages dozens of times as the organization processes. After the effort is complete, leaders have to balance holding firm on core changes while also leaving some room for continuous improvement as the organization implements new ways of working.



"It's not for the faint of heart. Because the knives will come out."

Leaders will almost certainly face internal resistance to any change effort. Change is hard. It upsets the status quo, and people often react by holding tightly to the previous ways of work that they know and can control.

Much of this resistance is in good faith. People who have dedicated their professional careers to social causes can have honest disagreements about the best way to organize to have the most impact. This kind of resistance is generally healthy and productive, and organizations can typically work through it.

But leaders should be prepared to combat more insidious forms of resistance as well. Back-channel complaints to the Board, threats to go to the press, and organizing grantees to oppose changes are the types of resistance that often take leaders by surprise. And while there are steps that can be taken to prevent and mitigate behaviors like these, it's important for leaders to anticipate resistance and ensure that the Board has their back.



"If you can't change the people around you, change the people around you."⁸

So much of organizational change focuses on systems and processes and overlooks the human beings who will enable change or stand in the way. Leaders who ignore the human elements of change do so to their own detriment. People will need consistency, transparency, psychological safety,⁹ and trusted leaders to help them navigate change.

Some staff will fully embrace new ways of working, while others will likely struggle but make a good-faith effort. This is a normal part of the process, and leaders can benefit from having patience and empathy to help their teams manage change.

But leaders should also anticipate turnover, both voluntary and involuntary, among those who no longer see themselves at the organization and those actively detracting from change efforts. Leaders shared that it was best to be honest about those that can't get on board with changes—after enough time to attempt to work through solutions—and to separate quickly.

At the end of a transformation process, the people around you will likely change. Either they will change themselves by reflecting, processing, and adapting to new ways of working. Or they may no longer be a fit and transition out.



"Foundation transformation is a story of a lot of unsexy stuff. But all the unsexy stuff REALLY matters."

While there may be some parts of foundation transformation that come with a splashy press release, most of it is relatively mundane, behind-the-scenes work. It's mapping process flows and documenting decision rights. It's doubling down on training and change management. It's implementing improved technology systems. It's dedicated culture-building activities that help people feel and act like a team. It's a clear plan for communication and interim funding for grantees.

When it comes to organizational transformation, there is no single, silver bullet solution to get from point A to point B. Successful transformation requires discipline and steadfast commitment to all of the "unsexy" work that adds up to change over time.



Conclusion:

The importance of alignment

In all of these stories, there was no one change that helped the funder better BRIDGE, ADAPT, and DELIVER. Rather, funders tried to look at organizational design as a cohesive whole and create intentional alignment. The organizations mentioned in this article were clear about why they were making new organizational design choices to better align to the kind of impact they wanted to have, as well as how these choices worked together to support each other.

While the path to alignment will vary based on an organization's unique goals and context, funders should consider opportunities to align their work along two key dimensions:

1. Alignment of organizational design choices: As we've seen, "organizational design" is not one thing, but rather a set of interconnected choices about structure, process, governance, and talent model. When these choices are aligned, they mutually reinforce one another and create a cohesive whole. But one misaligned piece—a weak organizational structure, confusing approval processes, an incoherent talent model—has the power to disrupt every other component.

2. Alignment with your purpose and role: It doesn't matter if a funder's organizational design choices are aligned to one another if they are all pointed in the wrong direction. Critically, these choices should also be aligned to an organization's purpose—mission, vision, values, and strategic framework—and the role an organization will play in creating impact. This feels like common sense, but an organization's systems and structures too often end up working counter to its larger goals. As Kevin Bolduc, Vice President of Assessment and Advisory Services at the Center for Effective Philanthropy, put it, "Form has to fit function. And if function changes, form has to change, too." Whether a funder's *raison d'être* is driving more scientific breakthroughs or empowering local communities, there are different sets of organizational design choices that help funders better fit to their purpose and role.

Alignment across these dimensions is important, but the transformation to get that alignment isn't easy. Organizations tend to evolve naturally, and maintaining alignment requires coordination and continuous adjustment over time. Much like having a single vertebra out of alignment in the spine can cause pain in the whole body, having a single organizational component out of alignment can cause confusion, frustration, or inefficiency in the organization.

But just because getting to alignment is hard doesn't mean it isn't worth it. As much as leaders emphasized the challenges that came with transformation, they also emphasized the tangible benefits of greater impact and greater satisfaction among grantees and staff. And these leaders experienced other important but less-tangible results, too: More joy on their teams. A deeper sense of partnership. Greater confidence in decision making. Feelings of clarity and ease.

Take the case of The Walter & Elise Haas Fund, a 72-year-old family foundation in the San Francisco Bay Area. Over the past several years, its Executive Director Jamie Allison has been working with staff, trustees, and community members to re-align the Fund. The Fund had siloed programs organized by issue areas, a large number of grantees each receiving small grants of about \$40,000 annually, and processes geared toward making and evaluating one-year project grants. Allison and her team reflected on the Fund's strategy and role, and anchored on a couple of purposeful changes. "We have to stop thinking in issue area silos because that's not how people live their lives," Allison noted, "and we need to fund our nonprofit partners to win."

The Fund then made a reinforcing set of organizational design choices reflecting this strategic direction. Allison and her team launched a specific fund, focused on the gender and racial wealth gap, bringing together a cross-functional mission-based team with programmatic expertise in economic advancement plus racial and gender equity, as well as operational components like project management and grants management. This Fund shifted its grantmaking processes, now making long-term, seven-year grant commitments at \$500,000 per year for each grantee. "Program Officers" are now "Relationship Managers," reflecting a new talent model focused on developing deep relationships with grantees and providing extensive support. These changes were aligned to the Fund's purpose and they were aligned to each other, creating a strong coherence at the Fund.

Reflecting on her organization's own transformation and the field of philanthropy more broadly, Allison said, "The reason we don't get the change we want in the world is because it's so painful to make the changes we know we need to make internally to realize our goals. It requires upsetting the apple cart in a way that hurts. So it's not easy at all. But it's absolutely worth it."

Efforts like these make clear that organizational design needn't be the killer inside the house that derails funders from working in new ways. Instead, it can unlock greater cohesion, connection, and confidence that allows funders to have the impact that is most needed today.

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Endnotes

1 *Scream*. Directed by Craven, Wes. 1996. Dimension Films

2 For research on funder collaboratives, see Bridgespan's ["The Philanthropic Collaborative Landscape"](#). For research on how funders are prioritizing equity, see The Philanthropic Initiative for Racial Equity's ["Mismatched: Philanthropy's Response to the Call for Racial Justice"](#). For research on cross-sector work, see McKinsey's ["The role of public-private-philanthropic partnerships in driving climate and nature transitions"](#). For research on power sharing, see Trust-Based Philanthropy Project's ["2023 Grantmaker Survey Report."](#)

3 There are many varied definitions of "organizational design," used by different people for different purposes. We define it here to include structure, process, governance, and talent model. This is a more colloquial use of the term and includes a set of attributes that others might classify under "operating model," which is a more holistic view of how work gets done in an organization, including people, processes, technology, and other elements.

4 Organizational "silos" operationally mimic the design of their cylindrical, high-walled namesakes on farms. They are characterized by hierarchy, with a single leader at the top and a team that reports upward to that leader, and independence, with connection, information, and resources flowing within the silo but not to other parts of the organization.

5 Pods and squads are inspired by the Agile methodology for project management.

6 Given the operating restrictions that may apply to private foundations, we recommend funders confer with tax and legal advisors before making key structural or organizational changes.

7 Six Sigma is a methodology from the business world that uses data to improve business processes and performance.

8 With credit to artist Chuck D, whose lyric from the 1996 song "Generation Wrecked" and 2016 album *Chuck D Is Mistachuck – If I Can't Change The People Around Me I Change The People Around Me* inspired this quote.

9 Coined by professor Amy Edmondson, psychological safety is "a shared belief held by members of a team that it's OK to take risks, to express their ideas and concerns, to speak up with questions, and to admit mistakes — all without fear of negative consequences." For more, see HBR's ["What Is Psychological Safety?"](#) by Amy Gallo.

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