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Enhancing Foundation Capacity: The Role of the Senior Leadership Team

Melissa A. Berman, Ph.D., Rockefeller Philanthropy Advisors

Keywords: Foundation leadership, foundation accountability, theory of the foundation, organization design

Key Points

- This article examines the issue of foundation organization design and assesses how foundation leaders might think about their organizations as institutions.
- Noting that any organization structure inhabited by human beings creates silos and territorial issues, foundation leaders are increasingly using two primary mechanisms to minimize these artificial barriers and maximize collaboration: enhanced headquarters functions to help integrate across the organization, and senior leadership teams.
- This article reviews the structure, roles, responsibilities, and value-add of senior leadership teams at 19 foundations. The senior leadership team plays a crucial role in foundations, functioning as an advisory group to the president and chief executive officer as well as helping to define the foundation's overall vision and goals.
- This article also seeks to develop shared concepts, frameworks, and tools for foundation leaders to use individually and in discussion or partnership with other foundations, and to spur more effective collaboration among foundations and with other sectors.

value-add of SLTs. The research was done as part of RPA's Theory of the Foundation initiative, which aims to enhance the capacity of foundations to align their resources for impact by identifying promising theories for foundations, as well as operating models, organization structures, and leadership practices.

Rockefeller Philanthropy Advisors launched the Theory of the Foundation initiative in the fall of 2013. Its inspiration is Peter Drucker's 20-year old article, "The Theory of the Business" (1994), which asserted that every organization needed to understand and regularly re-evaluate its own specific enterprise theory. Given the many and profound changes among large foundations, ranging from new entities to new approaches to new pressures, RPA felt that the time had come to assess how foundation leadership might think about their organizations as institutions. This article also seeks to develop shared concepts, frameworks, and tools for foundation leaders to use individually and in discussion or partnership with other foundations. Finally, we hope to extend the field of knowledge about foundations as institutions and encourage its development. Through this shared understanding, we hope to spur more effective collaboration among foundations and with other sectors.

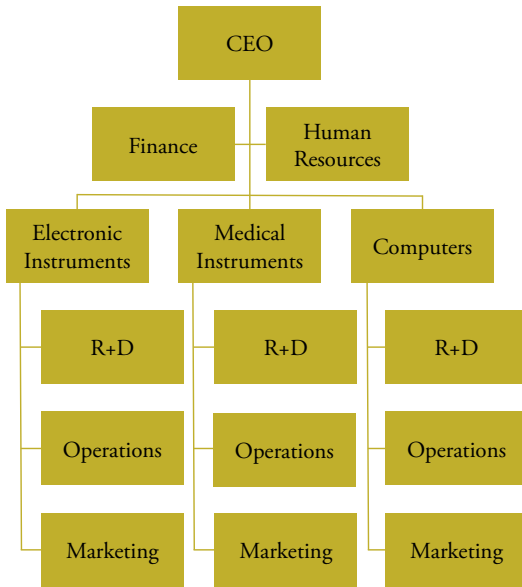
Introduction

The senior leadership team (SLT) plays a crucial role in foundations, functioning as an advisory group to the president and chief executive officer as well as helping to define the foundation's overall vision, institution-wide priorities, and annual goals.

Rockefeller Philanthropy Advisors (RPA) analyzed more than 40 large foundations, looking at the structure, roles, responsibilities, and

This article is based on a collaborative research model for which 19 foundations provided financial support, ideas, and analysis, and served as part of a working group. We deeply appreciate their support, as well as their active role in developing the areas of exploration for the project. Notably, foundation participants encouraged us to expand the scope of the early phases of the initiative to include evaluation of operating models as well as theories of foundations. In

FIGURE 1 "Product Structure" Model



(Galbraith, 2014; reprinted with permission)

developing this initiative, we interviewed more than 60 foundation leaders and experts in foundations and management. We also reviewed and analyzed published works on the role of foundations, foundation effectiveness, corporate operating models and structures, public-sector models, family-owned businesses, organizational management, culture, and leadership.

Organization Design in Foundations

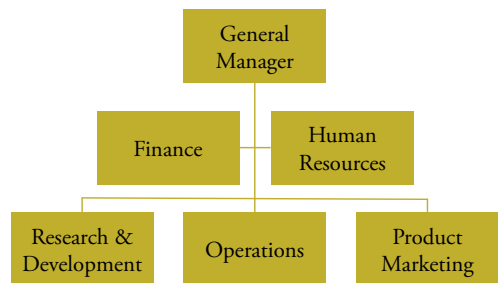
To provide context for this study of senior leadership teams, we looked at the broader issue of foundation organization design. Several foundation leaders noted in interviews that any organization structure inhabited by human beings creates silos and territorial issues. Part of leadership's role is to minimize these artificial barriers and maximize collaboration. Foundation leaders are increasingly using two primary mechanisms to help achieve these goals: enhanced headquarters functions to help integrate across the organization and senior leadership teams.

Among the large foundations whose organizational structure we reviewed, the dominant model is what's called the Product Structure Model. (See Figure 1.)

The other common organization structure models among the foundations studied are:

- **Functional:** Classically, this model is used for an organization that produces a single type of product or service, and its divisions (viewed on a chart from left to right) essentially mirror their processes. (See Figure 2.)
- **Geographic:** Organized by region or country.
- **Channel:** Organized by how a product or service is delivered (e.g., online, in company-owned stores, in department stores).
- **Client segment:** Organized by type of client (e.g., consumer, mass affluent, high net worth, ultra-high net worth).
- **Hybrid:** For example, organizations that sell some products or services regionally but others globally might have a global product division alongside regional divisions.
- **Matrix:** A system in which unit heads report jointly to more than one division. For example, a unit head may report to the head of a geographic region and to the head of line of business.

FIGURE 2 "Functional Structure" Model

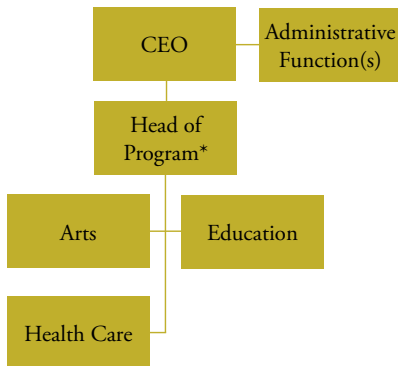


(Galbraith, 2014; reprinted with permission)

At a foundation with a product structure organization, each division does its own research, strategy, program design, convening, grantee relations, technical assistance, partnership outreach, knowledge creation, field building,

networking, professional development, and recruiting. The divisions may get support from centralized staff functions (such as human resources or grants management), but tend to make significant decisions separately. (See Figure 3.)

FIGURE 3
"Product Structure" Model for Foundations



*This position exists in about half the foundations we studied.

Administrative functions include corporate roles, such as finance and investing, but also shared services such as technology, human resources, grants management, communications and, often, evaluation. The extent to which these functions operate independently of program areas – in oversight roles, in service roles, or in combinations of all three – varies greatly from foundation to foundation. It is also a rapidly evolving area in the large foundation sector.

For many foundations, the appeal of this structure is that it allows program groups to operate in an independent and entrepreneurial way, with the headquarters function providing very broad strategic guidance and administrative support. Advocates of this structure believe that program teams that are so deeply expert in specific issue areas and so close to grantees and the communities they serve can be highly responsive and effective.

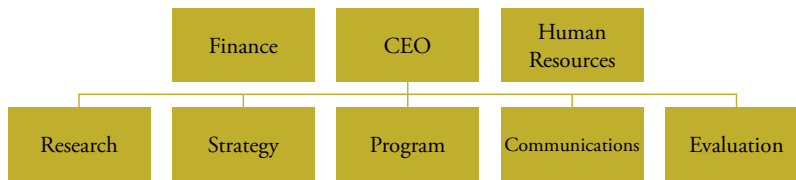
But foundation leaders also note challenges to this model. First, every program area is effectively operating independently, and opportunities for leverage are missed. In addition, useful

knowledge and relationships, in a health care group, for example, may never reach the education group, and vice versa. Grantees and partners may find themselves juggling multiple relationships with one funder for activities that, from their perspective, are tightly interwoven.

A second challenge that foundation leaders noted is that as foundation activity has broadened from pure grantmaking to a more activist role, the skill set demanded of a program officer or director has mushroomed. In the product line model, program staff needs to be skilled not only in research, program design, nonprofit evaluation, and grantee relations, but also in coalition building, collaboration, advocacy, and communications.

Whether product structure is the best organizational design for foundations is an open question. The prevalence of this design reflects the continuing centrality of the industrial manufacturing industry in both the theory and practice of large organizations, despite the rising importance of the service sector. It's as if all analysis of organization design still starts with Alfred Sloan's work about General Motors (1964). Even in Jay Galbraith's 2014 edition of *Designing Organizations*, there are more manufacturing than service company examples.

Some foundations have begun to push back on the product structure, looking to organize around major initiatives or challenges, although it is not clear how that will affect actual organization design and reporting relationships. But one emerging structural model looks very much like a functional organization, with centralized research and development, strategy, program development, coalition building, communications, evaluation, and talent development. Program units in essence become more like the manufacturing units of a functional corporate structure: they make what the upstream divisions of research, strategy, and program development tell them to make. This organizational and strategic design has profound implications for program-officer and program-director roles in foundations. (See Figure 4.)

FIGURE 4 Emerging Structural Model

Of course, grantmaking foundations are not making tangible products (with the minor exception of some things like publications). They are providing a service, and so organization design for the service sector may be a better analogy. Yet, many service companies simply translate classic product design to their lines of services. Others organize by customer type, which might offer some intriguing ideas for foundations, where customers would be translated as beneficiaries.

Another potential source of organization design ideas for the foundation sector is the professional-services sector, which includes law, architecture, design, research, accounting, physicians, and consulting firms. Most are privately held and use a partnership model. For these firms, organization design tends to be a complex blend of service type, geography, and customer and key relationships.

For foundations, this comparison to professional-services firms is interesting because both types of organizations have strong professional identities and codes. Often members of professions belong to or are certified by a standards body, and they have a broad belief that they are responsible for some greater good beyond their business interests.

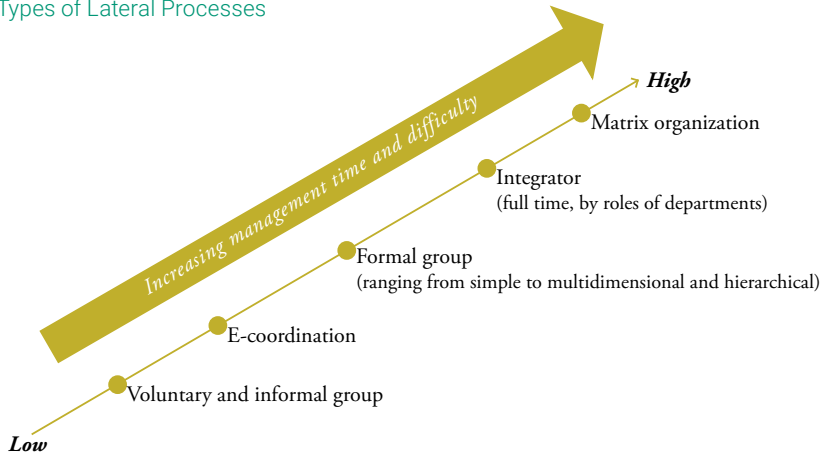
The comparison is also useful to foundations because professionals in both sectors tend to operate with a high degree of independence and with a unique base of expertise and relationships. Despite its organization chart, noted the former head of a major law firm, “it’s not a command-and-control hierarchy.” More cynically, an executive in another professional-services firm said,

“You cross a moat about every 10 feet.” And one retired law firm partner flatly insisted that “managing” a professional-services firm was an oxymoron. According to our interviewees, leading a professional-services firm requires less emphasis on structure or process and more on soft leadership skills, such as motivating and influencing independent of hierarchy or proximity, as well as the capacity to work with people who are outside the leader’s own discipline. Reward systems may be particularly important to encourage collaboration among professionals who are, or have been trained to be or prefer to be, essentially, independent actors (Maister & McKenna, 2006).

Integrating the Organization: The Role of the Headquarters Functions

In recent years, foundation leaders have sought new ways to reduce the isolation of siloed program areas to increase the foundation’s efficiency and effectiveness. Organizations of all types face the integration challenge and use a variety of functions, systems (such as compensation) and processes to overcome the boundaries of organization design.

Galbraith (2014) refers to some of these as lateral processes, referring to the flow of information and decision processes across the organization’s structure. (See Figure 5.) Vertical processes are more centralized and hierarchical (e.g., planning and budgeting), whereas lateral processes are designed around workflow (e.g., new product development), so that decision-making is more dependent on mutual agreement and relationships. Galbraith notes that the level of integration achieved relates directly to the amount of time and effort required. At the lower end of time/

FIGURE 5 Types of Lateral Processes

(Galbraith, 2014; reprinted with permission)

effort, informal groups are easy to operate but not likely to achieve significant integration; at the most intense end, a matrixed organization is fully integrated but at tremendous cost.

Foundation leaders have focused largely on the middle range of this spectrum to achieve integration, using integrator roles at the headquarters level and formal groups. In our review of large foundations, we found that more than half have created senior positions that were quite rare a decade ago, including learning officers, heads of strategic planning, and chiefs of staff, all designed to improve integration. Roles that combine various functions, thus giving a single executive a broad line of sight across the organization's functions and operations, are increasingly common. About half the foundations seek integration through a top program officer to whom all the program areas report. In the other half of the group, this integration occurs at the CEO level. The study also found:

- 72 percent of foundations combine titles in two different support areas (e.g., finance and administration; finance and human resources);

- 60 percent include roles that do not fall into traditional categories (e.g., research and evaluation; learning; strategy; chief of staff); and
- 50 percent have a top program officer position; 50 percent have two or more program leaders reporting to a CEO.

Overall, foundation leaders in our study expressed confidence that these cross-cutting roles, often filled by nontraditional candidates – those from outside the philanthropy sector or with experience less obviously related to the roles – have helped their organizations improve. There is as yet no clear way to measure this improvement, other than through indirect indicators such as employee attitude. The same is true in the corporate sector. In a recent Harvard Business School review of research on corporate headquarters, the authors found “sparse evidence” that specific characteristics of headquarters staff directly affected business performance. They did find, however, that these staff had broader and deeper internal networks than others, implying that they are succeeding at least in improving communications and spreading information (Menz, Kunisch, & Collis, 2013).

The Senior Leadership Team in Foundations

The second lateral process that has become common in larger foundations is the growing role of a senior leadership team in solving the integration challenge. As part of our Theory of the Foundation initiative, we explored this management process in depth, seeking answers to some very specific questions posed by foundation leaders who made up the working group:

- How are foundation SLTs structured?
- What roles and responsibilities do they have?
- How do they contribute to the effective functioning of their organizations?
- What best practices and trends are emerging for such teams?

Nineteen foundations – five family-led and 14 independent – participated in our exploration of the SLT. (See Appendix.) Three of the foundations are headquartered outside the U.S.; four others have international offices. Six have living donors. The group includes a spend-down foundation, a conversion foundation, and several that are part of a networked group of charitable organizations. Two-thirds of the participants have more than 40 employees. The study included both an online survey and a phone interview.

Size, composition, and structure

The number of SLT members in individual foundations participating in the study ranged from three to 15. Generally, the size of the SLT rises with the size of the annual giving budget and/or total staff numbers. Most, but not all, members of an SLT report to the CEO of the foundation.

But the size of the teams remains rather fluid as the role of this function evolves: 85 percent of foundations altered the SLT composition within the past five years. Most – 70 percent – have expanded their SLT over the past several years. Two foundations created an SLT for the first time during that period. Three foundations reduced the size of their team. This underscores that

membership is dynamic rather than static, shifting in response to the needs of the institution and/or leadership changes at the president/CEO level. Senior leadership teams in all the foundations studied include the CEO and the head or heads of program areas.

For those foundations with no chief program officer, the most common number of program heads on the SLT was three to four. But in a few foundations, as many as six or seven program areas are represented on the SLT. The chief financial officer and head of communication are the most frequent members of the SLT outside of the CEO and program leaders. (See Table 1.) No single best-practice model emerged from the study; the size and composition of individual teams varied.

TABLE 1 Senior Leadership Team: Most Common Participants

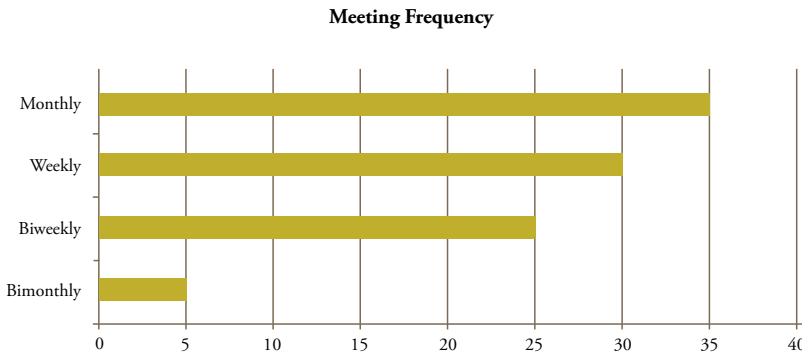
CEO	100%
Program leader(s)	100%
CFO	80%
Communications	70%
Administration/Operations	60%
Chief Investment Officer	50%

Meetings

Meeting frequency varied widely. (See Figure 6.) While the average time between SLT meetings is two weeks, the scheduled frequency is almost evenly divided among weekly, biweekly, and monthly sessions. This is a significant time commitment and is indicative of the high value placed on the SLT by the executive leadership of the institution. In addition to the SLT meetings, many presidents/CEOs routinely conduct separate meetings with program staff. Most SLT meetings are scheduled for two hours or less, with longer (often one- or two-day) meetings/retreats two to four times per year, or as needed.

Agendas are typically set by the president/CEO, with input from the SLT members. The majority of those interviewed did not feel agendas

FIGURE 6 Meeting Frequency



were dominated by program-related discussions. A number of the foundations in the study had a written charter or procedural document that described the role of their SLT.

Value of the Senior Leadership Team

By and large, the SLT is not a decision-making body. Rather, the SLT functions as advisory to the president/CEO, helping to define the foundation’s overall vision, institutionwide priorities, and annual goals. As one individual said, it is what helps the president/CEO (and, by extension, the governing board) to think most deeply about the “so what” question.

As many members describe it, the SLT members bring information, ideas, and suggestions to the meetings and then communicate priorities and decisions. When asked whether there was a greater value in “influencing up” or pushing information “out and down” in the organization, most saw equal merit in both. Several of those interviewed mentioned that, while the SLT is critical, it is also important to pay attention to middle management – finding ways to enlist and engage that cohort in policy recommendations and the operations of the foundation. Alignment and collaboration are also important roles. (See Box 1.)

Several of the CEOs interviewed emphasized the critical role their SLT has played in helping break down program silos and spur cross-functional thinking. Examples include the use of the SLT to articulate the framework for an

organizationwide strategic planning process; to begin a dialogue regarding mission-driven investing and its relevance to the foundation’s theory of change; and to determine whether to close a satellite office.

The SLT is also a primary steward of foundation culture, expected to model behavior that is consistent with the institution’s vision and values. As one respondent commented, “It is understood that the operating behavior of each SLT member carries more cultural weight than any memo or

Senior Leadership Team: Roles

1. Functions as advisory to the president/CEO, helping to define the foundation’s overall vision, institutionwide priorities, and annual goals.
2. Ensures executive alignment on major policies, procedures, and expenditures.
3. Encourages collaboration, innovation, and learning by sharing information across functional areas.
4. Helps manage/recruit talent.
5. Serves as primary steward of the culture of the foundation.
6. Elements mentioned most often as critical to the successful function of an SLT:
 - strong support from the president/CEO,
 - clear and open communication, and
 - shared vision, trust, and mutual respect.

policy directive. The organizational culture lives and dies on SLT member behavior.”

In addition to these general integration and communication roles, members of the SLT increasingly have actual responsibilities for key functions in the foundation, especially related to talent development and to coordination of approved projects. They are less likely to be involved, however, in the actual planning of these activities. (See Table 2.)

TABLE 2 Senior Leadership Team: Responsibilities

<p>1. Coordinates</p>	<ul style="list-style-type: none"> • Staff training and development (70%) • Talent strategy (60-plus %) • Knowledge sharing (60%)
<p>2. Coordinates in part</p>	<ul style="list-style-type: none"> • Cross-functional/divisional projects (70%) • Succession planning (50%)
<p>3. Less likely to coordinate</p>	<ul style="list-style-type: none"> • Cross-functional/divisional planning • Cross-functional/divisional partnerships

Study participants also spoke about the special role that SLTs can play during transitions (e.g., a new president/CEO is hired, next-generation family members join a foundation board), both in maintaining staff morale during a period of uncertainty and in serving as a source of institutional memory. A number of those interviewed also highlighted the significant role their SLTs play in risk management and institutional branding, as well as their ability to function as a “rapid response” team when quick action is required. Another individual spoke about how cohesion on the SLT can encourage responsible risk-taking and innovation by building individual team members’ confidence that they have the backing and support of the foundation’s executive leadership. (See Box 2.)

Attributes of a Highly Functioning Team

Elements mentioned most often as critical to the successful functioning of an SLT are strong

support from the president/CEO, clear and open communication, a shared vision, trust and mutual respect. Other factors include role clarity; the ability to disagree (as one participant commented, arguments in the room are fine – but not after); confidentiality; inclusion; appreciation of individual talent; and having the right people at the table. Several respondents also cited the importance of the CEO carving out time for the SLT meetings so that they are seen as a high priority.

Four of the foundation representatives interviewed noted that their SLT had worked with organizational design consultants or executive coaches as a team and that this had proven very helpful in understanding individual working styles, building trust, and improving communications. A number of foundations in the study have moved to establish shared performance goals for the SLT and/or base membership in the group on the foundation’s theory of change.

Conversely, behaviors that limit the effective functioning of teams include micro-management by the CEO; working in silos; politics (ambition, ego, hidden agendas, competing for resources); disrespect; lack of direct communication; absence of trust; and, most importantly, a lack of shared goals/vision. Those interviewed also spoke about the harm that can occur if members of the SLT aren’t aligned on key issues and/or send

Senior Leadership Team: Value-Add

- Break down silos and encourage cross-program and cross-functional work.
- Spur innovation.
- Foster an integrated learning environment.
- Ensure executive alignment and consistent messaging on policy or programs.
- Model behavior that is consistent with the foundation’s values and culture.
- Play a special role during transition periods.
- Function as a “rapid response” team when quick action is required.
- Provide risk management and institutional branding.

conflicting messages about institutional priorities to the rest of the foundation staff. The ability to work as a team is critical. And one respondent, whose foundation had recently reduced the size of its team, commented on the importance of staying focused on strategic/organizational decision-making, rather than operational management.

Emerging Practices

The ways in which the use of SLTs has evolved over the past five years are consistent with changes in how foundations define their missions and manage their operations. Among the changes we would highlight:

- The SLT's role in modeling and shaping a foundation's values and culture is now recognized as one of its most critical responsibilities.
- As foundations espouse a more cross-functional, interdisciplinary approach to their work, CEOs have come to rely on the SLT as a vehicle to foster that approach and encourage greater institutionwide innovation, collaboration, and risk-taking.
- The value of the SLT as a team is being emphasized, with performance goals established for the team and/or membership in the group directly linked to the foundation's theory of change. In support of that, resources (e.g., coaches, organizational design consultants) are being used to strengthen team functioning.
- Senior leadership teams are taking on expanded responsibilities in risk management and institutional identity.

Conclusion

Rockefeller Philanthropy Advisors' research found that senior leadership teams vary widely in size and that more than three-quarters of the foundations we studied have altered the composition of their teams in the past few years. While no single structure has emerged, all have profound implications for the role of the program officer and program director. "Program" now

frequently encompasses more than grantmaking, which means that the roles require skills beyond issue-area expertise. Additionally, we noted that leadership teams at foundations draw talent from a broad array of sectors (including consulting, finance, and general management), with vastly different core competencies and experiences.

The range of structures and roles among SLTs highlight that today's foundation leaders are principally experimenting with approaches to leadership design, rather than drawing on conventional wisdom.

Acknowledgments

Debby Landesman, an independent consultant, conducted the research for Rockefeller Philanthropy Advisors on senior leadership teams and summarized the results. We are grateful to her for her excellent work on this project.

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APPENDIX Study Participants

Robert Bosch Foundation: Olaf Hahn, senior vice president & head, Department of Society & Culture

Andrea & Charles Bronfman Philanthropies: Jeffrey Solomon, president

The California Endowment: Robert K. Ross, president & chief executive officer

Margaret A. Cargill Foundation: Terry Meersman, vice president for programs

Annie E. Casey Foundation: Patrick McCarthy, president & CEO

Fondazione CRT: Massimo Lapucci, secretary general

Ford Foundation: Hilary Pennington, vice president for Education, Creativity and Free Expression
Kay Lee, project manager, office of the vice president

Gates Foundation: Kurt Fischer, chief human resources officer

Hewlett Foundation: Jean McCall, director of human resources

Robert Wood Johnson Foundation: Robin Mockenhaupt, chief of staff
Rona Henry, director of staff development

Kresge Foundation: Ari Simon, chief strategy officer & deputy to the president

MacArthur Foundation: Jeff Ubois, program officer
Joshua Mintz, vice president & general counsel

Gordon & Betty Moore Foundation: Kerri Folmer, chief of staff and planning
(now director of Monitor Institute)

Newman's Own Foundation: Lisa Walker, managing director

Oak Foundation: Vinit Rishi, director of administration

Schusterman Philanthropic Network: Sanford Cardin, president

Simons Foundation: Maria Adler, chief financial officer
Adrienne Greenberg, director of business operations

Surdna Foundation: Phillip Henderson, president

Wallace Foundation: Will Miller, president