



Paper 8

# Management Practices Surrounding Program Professionals in US and European Foundations

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***FULL VERSION***

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## ABOUT THE PROJECT

The foundation sector grows at a considerable pace and is about to entail significant changes in the three-way relationship of private wealth, public policy and non profit action. To cope with the challenges arising from these transformations the International Network on Strategic Philanthropy (INSP) was established in spring 2001. With the underlying assumption that strategic philanthropy is more effective philanthropy, the network has striven to professionalize foundation management, convene the excellent minds of the sector, clarify the guiding values behind foundation activities, and contribute to capacity building in the field. The 68 members of the INSP are representatives of foundations and support organizations, consultants and researchers from the US, Europe and other countries of the world that operate along the lines of strategic philanthropy.

The network now presents a number of high-quality papers on a range of important subjects regarding strategic philanthropy. These include topics such as the role of philanthropy in globalization, new innovative instruments for philanthropy, promoting philanthropy, the role of evaluation in foundations and effective board management. The papers are available for free download at the INSP's Web site at [www.insp.efc.be](http://www.insp.efc.be).

INSP is an initiative of the Bertelsmann Stiftung in collaboration with Atlantic Philanthropies, the Charles Stewart Mott Foundation, the Compagnia di San Paolo, the Ford Foundation, the German Marshall Fund of the United States, and the King Baudouin Foundation. Along with the Bertelsmann Stiftung, three institutions – The Philanthropic Initiative, Inc., The Hauser Center for Nonprofit Organizations at Harvard University, and The Center for Civil Society at the University of California Los Angeles – help to coordinate the work of approximately 70 network members.

The INSP working groups are advised and coordinated by representatives of leading academic and consulting institutions:

Prof. Helmut K. Anheier, Director, Center for Civil Society, University of California

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## ABOUT THE BERTELSMANN FOUNDATION

The Bertelsmann Foundation is Germany's largest foundation established by a private donor. In keeping with the longstanding social commitment of its founder, Reinhard Mohn, the Bertelsmann Stiftung is dedicated to serving the common good by encouraging social change and contributing to society's long-term viability. To achieve this, it maintains an ongoing dialog with all of society's stakeholders. The belief that competition and civic involvement form an essential basis for social progress is central to the foundation's work. In order to apply its expertise as effectively as possible, the Bertelsmann Stiftung is structured according to subject areas. The foundation's 280 employees focus on Education, Health, Economics and Social Affairs, International Relations, Corporate Culture and Promoting Philanthropy.

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## EXECUTIVE SUMMARY

Program professionals are the “engines of implementation” in staffed foundations. While philanthropic organizations accomplish their missions indirectly, by working *through* the nonprofit sector, their senior program staff – typically, called “program officers” – are expected to provide the vision, the substantive knowledge of the fields of interest, the access to nonprofit networks, and the interpersonal and administrative skills to translate foundation missions into programs that make the intended difference. Selecting and managing the people who have the multiple skills and balance of personal qualities required for this work are the special human resource challenges of foundations.

A study of the human resources practices of 13 large, national, private, professionally staffed U.S. foundations, as well as those of 11 private European foundations provides insight into these challenges. The first and most important observation of the research, which was based primarily on interviews with foundation executives and human resources leaders, is that the expectations of program professionals in these philanthropic institutions are often inherently in tension. At times, program officers are expected to be passionate about their fields and advocates for their grantees, but at other times, they are expected to provide objective information to foundation executives and Board members about the strengths and weaknesses of their strategies and portfolios. They are expected to develop a vision of a field and how it can be moved in a direction, while attending to myriad details of grants, budgets, deadlines, reports, and preferred language. They are expected at times to be externally focused, nourishing the networks in their fields that are essential to change strategies, and at other times to be internal leaders and managers of people and processes.

Not surprisingly, it is unusual to find the combination of personal qualities and professional skills for this wide range of roles in a single individual. A second key finding of the research is that the foundations in the study tended to emphasize in their hiring practices the substantive knowledge and experience in the fields of grantmaking interest to foundations (particularly among U.S. foundations), rather than the skills and experience needed for the process-oriented work of institution-building and field-building – especially the interpersonal skills of consensus building -- and the administrative demands of a regular schedule of grants. However, “teamwork” is increasingly valued as a core competency, and the balance between subject matter expertise and interpersonal skills is seen as the foremost hiring challenge.

A paradoxical finding about the competencies sought by the study foundations concerns financial management skills: Although at its most rudimentary level the core transactional business of foundations involves the transfer and investment of substantial sums of money in nonprofit organizations, fiscal knowledge and management are seldom articulated as desired program officer

competencies and responsibilities among foundations. This may reflect the separation of the financial function from the program role in many large foundations, but it is surprising nevertheless.

In spite of the many – often competing – demands on program professionals, foundation work is attractive. The foundations in the study had no trouble attracting an adequate number of candidates for their program positions – these are viewed as highly desirable jobs on both sides of the Atlantic. Indeed, it is more difficult to encourage foundation program officers to move on. Human resources practices in the foundations studied are not highly developed for planning the transition of individual program professionals to other careers, or to matching changes in grantmaking priorities to changes in staffing. In part, this is attributed to a culture in which direct confrontation and conflict are minimized and, in part, to conditions in which, because there are many highly talented people, it is difficult to make distinctions among them. In Europe, restrictive labor laws and difficult economic environments combine to further limit program professionals' movement out of foundations.

The development of internal leaders out of people who are externally focused – because they are hired for their network contacts and substantive knowledge of fields that they may return to – is a key management challenge for these large professionally staffed foundations. Organizational structures are relatively flat, so promotion prospects are limited as motivators and rewards for attention by program professionals to the internal tasks of knowledge sharing and institution building. Furthermore, program professionals who have led organizations before joining a foundation and who have had a direct hand in creating change can become frustrated with working at a remove from the action in their field and, as a result, they can become restless. Keeping talented, creative program professionals happy, productive, and contributing in these circumstances requires extraordinary internal leadership and persistence.

The Human Resources (HR) function in the U.S. foundations surveyed is of varying prominence and thus makes varying contributions to the key challenges of attracting and managing talented program professionals.<sup>1</sup> HR leaders in these foundations often see their units as under-utilized by foundation CEO's, although they are potential strategic partners in the key challenges of staffing to achieve their missions. In particular, HR leaders are often more highly attuned to and honest about the administrative and behavioral aspects of program professionals' work than the executives and program professional involved in the hiring process. They are especially eager to get involved in the strategic planning needs of foundations – in matching the activities required for attracting and managing talent to the broader goals of their foundations over time.

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<sup>1</sup> Human Resources (HR) leaders were not surveyed separately among the European foundations.

The comparative review of European and U.S. foundation management practices yielded more similarities than differences. Among the key *differences* observed between the U.S. foundations and the European foundations are the following:

- European foundations make greater use of generalists in their program positions than U.S. foundations. While there are some European foundations reporting a specialist preference, the generalist orientation is still more common than among US foundations.
- The restrictive labor laws in Europe, coupled with recent economic stagnation, translate to exceptionally limited movement of program professionals out of European foundations.
- Despite the semi-permanence of many of these European hires, staff development strategies are not as well-established among European foundations as they are among U.S. foundations.
- There is less sharing of data and best practices information among European foundations, nor is there much open discussion of internal leadership/management challenges.
- European foundation salaries and benchmarking include more data from the private sector, both because the numbers of foundation positions for comparison are far lower than in the U.S., and also because many foundation employees are recruited from for-profit parent companies.
- Language skills are noted as a core competency among some European foundations, but never among US foundations.
- There are fewer foundations in European countries than in the U.S., which creates specific challenges among the former to foster professional networks, both for information sharing and for professional movement within the foundation community.

Nonetheless, there are many *similarities* between the European and U.S. foundations, including:

- A perspective that in hiring program professionals the whole person is more important than just credentials: *“more depends on personality than on background/experience”*.
- Hiring from varied labor pools is seen as important.
- Balancing subject specialty with integrative/teamwork skills is a challenge.
- Poor economic conditions on both sides of the Atlantic make foundations jobs all the more desirable and potentially permanent: *“people are stuck”*. This creates an appreciation for the need to look for high potential people who won't be trapped in these jobs.
- Finding a balance between relational and analytical/research skills is important.
- Both U.S. and European foundation leaders are challenged by limited vertical. movement, and the challenge of keeping professionals motivated and fresh in their jobs.
- The emergence of “silos” and the problems of limited teamwork and communication across different program areas are a common challenge.
- All foundations surveyed have some form of performance appraisal system in place with most tied to salary action, although all foundations share some frustration with measuring results and outcomes in program work.

- There is a common recognition that sound researchers/scholars do not always bring strong management and administrative skills to foundation work.
- Foundations in Europe and the U.S. report a tension in managing both the internal and external responsibilities of program professionals.
- Some of the European foundations make regular use of consultants as do most U.S. foundations.
- Frequent travel demands upon program professionals creates communication and management challenges.
- All foundations report some challenge in managing conflict and discussing difficult issues in an open and direct manner.
- Finally, and quite poignantly, leaders in both Europe and the U.S. describe the challenge of trying to keep their organizations vibrant and animated, maintaining *“a breathing organization”*.

Although it is difficult to measure foundation performance quantitatively, it is clear that to deliver a high volume of quality programs on a timely basis and in a professional manner requires effective management. This study suggests that a gap exists between the skills that some program professionals bring to their foundation positions and the skills needed to effect long-term change in fields – indirectly as foundations must do. Effecting long-term change in fields involves nurturing a series of complex relationships over time through strong interpersonal relationships and mutual accountability. Within foundations, performance expectations in the area of relationship skills – going beyond the substantive knowledge most frequently sought in program professionals – need to be articulated, monitored and managed, and this area of individual performance enhancement needs to be supplemented by internal leadership to bring foundation programs together into a cohesive whole.

## INTRODUCTION

Although philanthropy is part of the nonprofit sector, it faces special challenges in aligning its human resource practices with its mission and strategies. As organizations that do not directly lead change, but facilitate it through the work of others, large professionally staffed foundations must attract program professionals with a rare blend of talents. Effective program officers must be able to balance the creative tensions inherent in their role: advocacy and objectivity, analysis and leadership, academic specialty and a results orientation, individual expertise and teamwork, program vision and attention to detail. Finding individuals with this combination of qualities is one of the major challenges for philanthropy.

Retaining employees in philanthropy, however, is not the vexing problem that it can be for other nonprofits because philanthropic work is stimulating, jobs are stable, and compensation is attractive. Instead, foundation executives and human resource leaders agree that their most demanding human resource issues are encouraging staff turnover at the right time, keeping program officers fresh at what they do, nurturing creativity while keeping staff within organizational bounds, and attracting and developing the appropriate balance of interpersonal and substantive skills.

Despite the nuanced management challenges inherent in these organizations, human resources practices do not always claim the concomitant respect and attention in foundations. This may be due, in part, to a lack of familiarity with the true nature of a program officer's job among foundation executives: Presidents are typically recruited from outside the philanthropic sector and may bring little to no direct foundation experience to their posts. Alternatively, given the lack of accountability and feedback from external sources, it may be difficult for those in leadership positions to appreciate the existence – or consequences – of poor management practices within their organizations.

At a time when the field of organized philanthropy is increasingly becoming professionalized, this paper explores some of the internal management practices that private foundations are employing to advance their grantmaking strategies, focusing on foundation management practices surrounding program professionals.<sup>2</sup> (The importance of the *non*-program staff to foundations cannot be underestimated, however). A survey of current practices forms the basis of the study. It involved interviews with presidents and human resources executives from 13 foundations based in the United States. Most of these are large, national, private, professionally staffed non-operating foundations. Additionally, representatives from 11 European foundations were interviewed and a panel discussion was held at the European Foundation Center in June 2003 to gather further input to

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<sup>2</sup> Not all foundations use the title 'program officer,' but for the purposes of this study the term is used to capture the responsibilities of a senior program professional. The terms 'program professional' and 'program officer' are used interchangeably throughout this paper.

this study. Given that the vast majority of foundations do not have paid staff,<sup>3</sup> this group is clearly not representative of most philanthropies. Nonetheless, the practices and concerns of the group do reflect the array of human resources practices in this class of larger, professionally staffed private foundations.

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<sup>3</sup> In 2002, only 1 in 6 U.S. foundations reported paid staff in a survey conducted by the Foundation Center. From “Foundation Staffing,” as part of the *Foundations Today Series*, 2002 edition.

### **ATTRACTING AND MANAGING FOUNDATION TALENT: STUDY DESIGN**

To better understand foundation management practices in the U.S., 13 foundations were contacted to participate in a study initiated and sponsored by the Practice Matters: The Improving Philanthropy project (IPP). This project was supported by The California Endowment and the Robert Wood Johnson, Ewing Marion Kauffman, John S. and James L. Knight and David and Lucille Packard Foundations. The foundations varied by staff and asset size, geographic location and focus, nature of work, and history. The presidents and human resource (HR) leaders of each foundation were interviewed separately. A total of 24 individuals (ten foundation presidents, one vice president, and 13 HR leaders) were surveyed as part of the IPP study.

As part of the International Network for Strategic Philanthropy (INSP), the study was expanded to include perspectives offered by 11 different European foundations. These views were derived from interviews with foundation leaders (6 presidents or executive directors, one special advisor, one spokeswoman of the executive board, one program advisor, and two HR professionals). Additionally, a panel discussion was held at the European Foundation Center in June 2003 to gather further feedback and information from participating European foundations. The European data gathering did not include as much detailed examination of human resources systems and professionals, so not all facets of the study can be compared meaningfully.

As background and as a base for comparison, a literature review was conducted to examine broad trends in corporate human resources practices. An advisory panel of foundation and human resources professionals provided a critical review of the early findings of the IPP study, and contributed to the development of the final paper. The list of foundations that participated in the IPP- and INSP-sponsored review follows:

- Bernard van Leer Foundation (Netherlands)
- Bertelsmann Foundation (Germany)
- The California Endowment (U.S.)
- Carnegie Corporation of New York (U.S.)
- Christoph Merian Stiftung (Switzerland)
- Compagnia di San Paolo (Italy)
- Ford Foundation (U.S.)
- Fundação Calouste Gulbenkian (Portugal)
- Gemeinnützige Hertie-Stiftung (Germany)
- German Marshall Fund of the United States (U.S.)
- King Badouin Foundation (Belgium)
- Körber-Stiftung (Germany)
- Lloyds TSB Foundation for England and Wales (U.K.)
- Robert Wood Johnson Foundation (U.S.)
- Joyce Foundation (U.S.)
- Ewing Marion Kauffman Foundation (U.S.)
- W.K. Kellogg Foundation (U.S.)
- John S. and James L. Knight Foundation (U.S.)
- John D. and Catherine T. MacArthur Foundation (U.S.)
- David and Lucille Packard Foundation (U.S.)
- The Pew Charitable Trusts (U.S.)
- Rockefeller Foundation (U.S.)
- Volkswagen Stiftung (Germany)
- Zeit-Stiftung Ebelin und Gerd Bucerius (Germany)

## WHAT IS THE WORK OF FOUNDATION PROGRAM PROFESSIONALS?

Program professionals typically have job responsibilities that span a broad spectrum of activities, ranging from the review and administrative processing of unsolicited proposals to proactive strategy formulation to bring about change in a field. What appears to outsiders as the simple (and enviable) task of making decisions about which organizations should receive grants is, in fact, a far more complicated process.

A critical facet of the program professional's work is the analysis of a nonprofit's capacity to conduct and manage proposed work through examination of the organization's track record, its leadership, and its fiscal and management capacity. Review of the field to understand the strategic landscape or ecology within which a nonprofit works is also important. Looking at the internal logic of a given project proposal is another layer for review: Does the theory of change laid out by the grantee make sense? Are the external conditions ripe for this intervention at this time? In addition, a great deal of time and emotional energy goes into fielding inquiries from prospective grantees, and ultimately declining (as constructively as possible) the majority of such opportunities.

Once a grant *is* approved, however, structuring and managing the grant and relations with the project staff constitute another major element of the work of the foundation program professional. Staying abreast of developments within the grantee organization, such as changes to leadership, fiscal considerations, and external factors, is essential. Working with grantees to modify their grant strategy and approach is a significant part of the "art" of grantmaking.

Staying abreast of the field more broadly is an ever-demanding element of the program professional's job. Most program officers are expected to represent their foundation at meetings and conferences, both as speakers and as participants, and to stay current in reading and, in some instances, in publishing. Depending upon the foundation's stance toward the press, program professionals may also be expected to manage inquiries from the media. And, most program professionals will have some direct management responsibility for staff as well as for consultants.

All of this activity takes place in an environment that still requires, in far more foundations than not, an inordinate amount of attention to a regular (typically quarterly) board cycle of grant documentation and approval, as well as board education. The build-up to board meetings in most foundations is to many program professionals *the* most enervating and demanding aspect of their job responsibilities, and involves a whole hierarchy of approval processes through successive layers of internal foundation management. Both the paperwork and the politics required to gain approval for one's desired programs and grants are exceedingly consuming aspects of the program professional's life within a foundation. These internal processes may crowd out the external responsibilities that officers hold, and frustrate them in their efforts to remain current in their fields.

While the work of foundation program professionals varies considerably among foundations, it is most fundamentally characterized by a dynamic tension between direct action and facilitation. A foundation program professional post may entice candidates interested in affecting a broad swath of

organizations, or even an entire field, yet the actual role is necessarily indirect and involves facilitating the direct work of others, especially grantees. This reality is not always addressed explicitly in hiring and recruiting, but presents management challenges over time as foundation staff wrestle with the boundaries of their appropriate action and responsibilities. Effective program professionals navigate a series of nuanced tensions to find a successful balance between their own direct responsibilities and those of grantees.

Based on the interview findings, the program professional role has inherent creative tensions and challenges that fall along the following continua:

Passion/advocacy	↔	Objectivity
Analytical skills	↔	Leadership and interpersonal skills
Academic specialty	↔	Results orientation
<i>Strategic focus</i>	↔	Ability to listen to others
Individual expertise	↔	Teamwork and facilitation skills
External networks	↔	Internal leadership and management
Program vision	↔	Attention to detail

In essence, the effective program officer is an individual who can encompass the competing qualities at both ends of these continua. These tensions are manifested throughout the career of the program officer at a foundation, and present unique human resources issues for these institutions.

In many regards, this study raises more questions than it answers. For example, program officers – who were not interviewed for the study – are often frustrated by the intensity of their workload, particularly pressures to meet board deadlines and requirements as well as constant travel demands. Although foundation executives described the importance of keeping program officer networks fresh, it would be interesting to examine the pressures on officers that may compete with that goal. When pressed for time, the natural tendency is to turn to known contacts because expanding one’s network is time-consuming and potentially unreliable.

To describe the human resource issues in philanthropy more fully, it would also be important to conduct a broader examination of the true length of program officer tenure among staffed foundations, and to correlate the relationship between changed program directions and staffing. Are changes in strategy matched with an explicit decision to realign program officer skill sets through staff transitions? Or, are changes to program direction sometimes veiled efforts to move out unproductive staff?<sup>4</sup> It would also be worth examining the career paths of program officers to

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<sup>4</sup> This may be especially true among some European foundations, as in some countries the only way staff can be transitioned out of a foundation legally is through closure of an office or program.

understand how many move to other foundations and how many leave to work on foundation-sponsored programs. Most important, it would be worth examining the effects of these transitions upon nonprofits: To what extent is a foundation's portfolio of grants tied to an individual officer? When an officer leaves a foundation, what percent of his/her portfolio of grantees remains after departure, and what does this mean for the nonprofit community served by that foundation?

### ATTRACTING PROGRAM PROFESSIONALS

A key finding about attracting new staff is:

- Understanding and identifying the proper *mix* of program and leadership skills needed in professional program staff is a greater challenge to foundations than recruiting interested job candidates.

The pursuit of talent is a familiar objective for grantmaking institutions. Much of what foundations support through their grants is professional talent, whether it is by providing funding to established leaders in a field for scholarly research, or underwriting leadership development and fellowship programs for promising and emerging talent, or identifying organizations with the requisite talent to fulfill project work. Most foundations report that attracting and retaining professional program staff is not a problem. If anything, foundation leaders express some discomfort about the lack of natural turnover among incumbents in these positions. This is especially true among the European foundations that were surveyed, as restrictive labor laws leave little room for management to initiate staff transitions.

In the U.S., the strong compensation and benefits packages offered by foundations constitute one of the many factors that helps to explain why they have not felt the labor market pinch. In the survey conducted for this study, all of the foundations that identified their compensation philosophies strive in their total compensation to be in at least the top 50<sup>th</sup> – if not the 75<sup>th</sup> – percentile of their benchmark comparative groups. Total compensation, coupled with the perceived opportunities and stability offered by foundation program positions, make attracting and retaining staff a relatively secure proposition in both U.S. and European foundations.

Finding the *right* professional staff, however, is a different challenge and is linked to a foundation's ability to identify its core work and strategies, as well as to grapple with the multiple – and sometimes competing – skills required for this work. Staff orientation and development programs typically are weak, so it is especially important for foundations to identify the right talent up front.

## Core Competencies

*I spend as much time looking at who the person is as I do at what they've done.*

(Foundation executive)

Key findings about core competencies are:

- Clear linkages exist between foundation strategies and hiring practices.
- The most highly valued skills for program professionals include:
  - subject area expertise/analytical skills
  - people management/relationship management skills
  - communication skills, particularly writing
  - attention to detail.
- A myriad of creative tensions emerge in hiring program professionals when trying to balance professional/analytic qualifications with the requisite human/leadership qualities.
- Teamwork is increasingly valued as a core competency.
- Financial management skills are not a priority when foundations hire program professionals.

A strong link between hiring practices and foundation strategy or grantmaking philosophy exists in the foundations studied. The program officer descriptions offered by respective foundation leaders reflect their particular grantmaking emphases. For example, several foundations with a grantmaking focus on community-based programming direct their recruitment largely toward identifying individuals who have significant experience running community-based organizations (CBOs) or in local policy circles. Similarly, two foundations with a strong focus on community-based programming proactively seek a staff that is representative of the ethnic and racial diversity found in their target communities. A third U.S. foundation with a global program emphasizes the importance of hiring an internationally – as well as generationally – diverse staff.

Increased emphasis on work in teams is an emerging trend that may affect foundation hiring practices. Most foundations in the survey for this paper list “teamwork” as a core competency for program professionals. The foundation executives and human resource leaders noted that this competency is sometimes at odds with the orientation and habits of subject specialists. One of the goals is: *Getting people to move beyond their individual niche to seek out linkages and/or intersections for more holistic solutions.* (Foundation executive) In response, some foundations have created specific interdisciplinary programs or grantmaking vehicles, and place greater emphasis on identifying program “generalists” to help staff those efforts.

In spite of an interest in teamwork, subject area expertise is the core required competency cited most frequently among U.S. foundation executives and human resources (HR) leaders. This is coupled with sound analytical skills. As one HR leader notes, “People need to be deeply contemporized within their substantive area of expertise,” suggesting that staff should be at the leading edge of their specialty. Analytical skills enable staff to distill, integrate, and synthesize large amounts of data and information into program actions. Foundation executives and HR leaders also note the importance of program professionals being “engaged” grantmakers, staying with projects for the duration, and not sitting on the sidelines once a grant has been made.

European foundations manifest a broader continuum of generalist to specialist orientation than do U.S. foundations. For example, one European foundation looks almost exclusively to the academy and to research institutions for doctoral level specialists, while several others look for multi-faceted generalists. One foundation leader noted that academic specialists are often not flexible enough in their approach as generalists. It is also quite possible that the fact that more European foundations have an operating orientation may explain this preference for generalists. Similarly, the potential permanence of European hires (because of limited flexibility to transition employees out because of restrictive labor laws) may encourage the hiring of more generalists in order to retain the flexibility to move individuals around within the foundation over a potentially long career.

“People management” or “relationship management” skills also are key. As one foundation executive frames the challenge: “Balancing the subject matter expertise with interpersonal skills is critical. Much of these jobs is more art than science, and this can be a real problem.” Relationship skills are vital both inside the foundation for team work, as well as outside in order to manage networks and other connections essential to program development, execution, and the broader change foundations hope to stimulate. *The hardest attribute to match successfully is the behavioral “stuff,” in particular the willingness to collaborate.* (Foundation executive) Respect and humility, as well as strong facilitation skills, are essential in managing these complex relationships.

Balancing subject-area specialty with interpersonal skills is perhaps the most difficult aspect of hiring for program staff. *The hardest two things to find are the combination of analytical skills and very strong interpersonal skills.* (Foundation executive) Another executive noted, “We may find a person who has the requisite people skills, but who may not have the intellectual horsepower analytically to get the job done.” Political skills also are important. From a foundation executive: “We want people who can shoot with either hand – people who have the requisite technical skills and background experience in the field, but who are also politically savvy and seasoned enough to operate with multiple audiences.”

Another balancing act involves finding program area specialists who are strategic and bring an action orientation to the work. *We experience two challenges: the program officer who may have subject-area expertise, but who is unable to turn that expertise into strategic program design, or the great strategist who is unable to execute and manage through the myriad of complex relationships*

*necessary to achieve program success.* (Foundation executive) For organizations that have long turned to the academy for much of their talent, the increased foundation drive for strategy and results may be at odds with the more traditional researcher's skills. *Successful candidates need to be able to think strategically and act decisively without getting bogged down or confused by too much data.* (Foundation executive) A number of the people interviewed for this study noted that academic credentials are not necessarily a predictor of grantmaking ability.

When program officers are too directive, however, they can sometimes fail to listen and be open to new ideas, as the following quotes from foundation executives point out. "One has to be an intentional strategic worker, yet also a good listener and synthesizer – both aggressive *and* reflective." Similarly, "Program staff need to be able to form clear opinions of their own, but also be open to those of others – confident, but open." And closely associated with this, passion – and sometimes advocacy – for the work is an important motivational source, and valued among foundation executives, yet this, too, must be balanced with an appropriate objectivity: *A fine line between passion and dispassion is sought: We want involved people, but they also need to know when to stand back and let grantees do the work.* (Foundation executive)

Communication skills, and in particular writing skills, are highly prized by foundations. In a field where outcomes can be difficult to measure, foundations place a premium on presentations to staff and board, or written products. Writing skills are virtually a make-or-break attribute among program professionals; it is the true currency of exchange in these positions. As one HR leader noted, "Writing is *always* a problem – it never seems to cut it fully, as each manager has high (if not impossible) standards in this regard."

Attention to detail and administrative responsibility turn out to be larger parts of the program professional's job in philanthropy than is usually apparent to prospective candidates – and perhaps to the foundation executives. Foundation executives recruited from outside the philanthropic community (as opposed to those who have risen through the ranks internally) sometimes do not initially appreciate the level of detail and administration associated with the program professional's role. Human resource leaders clearly feel it is an important part of their role to help simulate for prospective candidates what is *really* expected of them. They generally recognize that for all of the lofty strategic program goals, there is a great deal of paper and administration that must support the work: *A program person needs to be compelled by a vision, yet at the same time able to manage the day-to-day detail work involved in these jobs.* (HR leader)

Remarkably, one competency *not* cited by foundation executives and HR leaders in interviews for this paper is financial management skills. This may speak to the separation of the financial function from the program role in many foundations, but it is surprising nonetheless. Only one U.S. foundation listed financial management ("fiscal responsibility") in its performance management

criteria.<sup>5</sup> Two other foundation executives mentioned responsibility for managing grant budgets when describing the program professional position, but did not address skills in assessing grantee financial performance or stability anywhere else (e.g., in performance management criteria or position descriptions).

This is one of the most striking paradoxes within foundations. Although at its most rudimentary level the core transactional business of foundations involves the transfer and investment of substantial sums of money in nonprofit organizations, fiscal knowledge and management are seldom articulated as desired program officer competencies and responsibilities. This is not to suggest that the function is not being fulfilled; foundations typically have separate financial staff to review the financial elements of prospective and current grants. However, the link between financial and programmatic concerns is not made consistently.

### Approaches to Recruitment

Key findings about recruitment include:

- Recruitment pools vary by foundations' grantmaking interests.
- Some foundations are developing sophisticated in-house search capabilities to avoid relying upon external firms.
- Foundation compensation and benefits packages are highly competitive.
- There is general movement toward "broad-banding" compensation for program professionals, meaning that there are wider salary ranges for each position.
- Highly inclusive (and lengthy) interview processes are the norm among U.S. foundations.
- Many European foundations draw staff from their corporate founders (particularly from financial institutions/banks that establish the foundations)

Foundations recruit program professionals from diverse sources that are closely related to their grantmaking interests, such as community change, the arts, or medical research. Interestingly, few turn deliberately toward individuals with prior grantmaking experience when recruiting for a program professional position. In fact, some foundation executives mention, partly in jest, that prior foundation experience would be a strike against a prospective candidate. The implication is that over time foundation staff can lose touch with the cutting edge thinking and work of a field.

For some foundations, policy experience is deemed critical in order to effect change in the arenas in which they work. (One foundation executive noted that 75-80 percent of their program

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<sup>5</sup> As part of this study, human resource leaders in the U.S. foundations were asked to provide examples of their performance management instruments as well as relevant program position descriptions. Performance criteria are parameters of performance around which employees are specifically measured. These instruments were not collected from European foundations, hence this section pertains primarily to U.S. foundation practices.

professionals had prior policy experience). Foundations with community programming as a priority tend to recruit program professionals who have worked in or led community-based organizations (CBOs). Other foundations rely more heavily upon the academy to find talent, and two foundations participating in this study have had success among journalism's ranks. (Here, the ability to sift through multiple sources of information and distill a course of action was noted as a ready crossover to philanthropy).

One European foundation – the Volkswagen Foundation – recruits almost exclusively from universities and research institutions, and has found the current economic conditions to be a boost to their hiring. Until recently, it was nearly impossible for them to compete with industry for engineers, whereas now they are finding success in this market. It was noted, however, that a very weighty consideration when hiring researchers is that once these individuals have left the research “bench” for 2-3 years, it is nearly impossible for them to return. This places a very high premium on a thorough and mutual interview process to ensure that the fit is a desirable one, as it is likely to be a decision with permanent implications.

As already noted, many European foundations hire their program professionals from the ranks of industry – often recruiting staff from the founding company. At least one of the European foundations surveyed even has contracts with its employees that allow for free movement back and forth between the company and the foundation. One foundation executive reported that these transfers from the private sector prove to be very effective because of the strong results orientation of professionals who have been trained in the for-profit sector. Others, however, find themselves balancing disparate corporate cultures as they begin to augment their program staffs with professionals from outside the founding company. In some cases, being locked into pension arrangements with the original company creates strong incentives for the industry staff to remain until retirement, which further complicates the dynamics of managing these dual-track staff structures by stimulating strong generational differences as well.

One foundation with an entrepreneurial leadership program has identified talent from entrepreneurial business circles, and yet another foundation has found legal minds to be compatible with its more strategic approach to philanthropy. A global foundation deliberately recruits staff from the countries in which it works. A few foundation executives discussed the tension inherent in bringing in “advocates” from the field. While an advocate's passion and focus on results is compelling, that same determination can sometimes impede openness to other approaches or ideas.

All foundations surveyed for this study have used external search firms, although to varying degrees. One newer foundation relies almost entirely upon external search firms, while another well-established philanthropy turns to outside firms for less than 10 percent of its senior hires. Almost all report mixed experience with professional search firms. The greatest reported predictors for success are: The search firm's ability to grasp the core business of the foundation and its familiarity with and

networks among the nonprofit sector. The most frequent complaint of those interviewed is the length of time required to conduct many searches. The European foundations surveyed represented dramatically divergent views of the success of external search firms – some relied upon outside firms exclusively, and others have had such negative experiences that they utilize foundation networks in all hires.

Frustration with the expense and timing of external search firms has led a few of the larger U.S. foundations to aggressively develop in-house search capacities and to organize their networks toward this end. One foundation has recently established a “talent tank,” a committee of staff focused on how to best mine the contacts and networks of its own people in the broadest sense, including pooling learning on managing relationships and talent, as well as developing a central contact data base for searches. Another large foundation has established its own internal search firm and conducts approximately 90 percent of its searches in-house, relying upon networks aggressively culled from within the foundation and its grantees. A database of potential talent and key contacts is maintained internally and accessed by the human resources department to conduct searches. A third foundation rarely turns to external search firms, but opens up all searches to new networks through extensive and very public advertising. Although time-consuming for staff, this approach ensures that no search is constrained by potentially stagnant foundation networks.

In the U.S., foundation compensation is set at a highly competitive level, typically at the 75<sup>th</sup> percentile or better of comparative benchmarks when benefits are included. To establish compensation packages, the U.S. foundations surveyed rely upon a range of published surveys (including the Council on Foundations’ annual Salary and Benefits Report), and most commission customized surveys periodically for some, if not all, of their positions. Some foundations do this collectively. For example, a consortium of eight California grantmakers has conducted a salary survey among its members, and another long-standing network of large foundation HR professionals reports that its foundation representatives participate in and share compensation survey information with each other (while being careful not to violate anti-trust regulations).

The fact that there are far fewer foundations and total foundation positions in Europe creates particular challenges for benchmarking compensation levels. This, coupled with the frequent residual relationship of European foundations to a for-profit founding company prompts greater reliance on for-profit industry salary data.

Some U.S. foundations have begun to establish broader salary ranges for their program staff within grade structures. Grade structures essentially provide high and low ranges for position salaries within an organization, and “broad-banding” is a practice that allows for a larger range between a grade’s low and high salary limits. As one HR leader noted in an analogy to flight, broad-banding can provide a talented officer with a longer “runway” (e.g., before take-off). Another foundation conducts a custom survey for *each* senior program professional job that is posted; as a

result, a program director for health might have a different salary grade than that for environment, based entirely upon market data.

The interview and selection process has become increasingly inclusive at most foundations, involving large numbers of people from within and across working teams. As one HR leader noted, “It’s a cast of thousands participating every time we interview someone.” Human resources leaders typically report that they are active participants in these processes and in decisionmaking, but they also note that scheduling the long line-up of interviews can be tedious and cumbersome. Regardless, this seems to be the trend – at least among U.S. foundations – again aligned in part with the growing emphasis on “teamwork” and team processes within foundations. It is possible that in some instances the extensive interviewing may be used as a means to better clarify and assess the needed competencies – work that could perhaps be more expeditiously done up front.

Although attracting qualified talent to foundation program positions is not a concern,<sup>6</sup> *assessing* the requisite skills of prospective candidates is a challenge. One foundation has developed a rigorous and systematic behavioral interviewing and testing approach that attempts to sift through the ample substantive qualifications of most prospective staff to identify their potential behavioral fit within the foundation.<sup>7</sup> The use of psychometric testing (evaluated by a psychologist) is complemented by a rigorous and prescribed set of interview questions designed to probe certain competencies. Another foundation occasionally uses a “visiting professional” approach to audition prospective program professionals over a period of time before considering them for permanent employment.

## MANAGEMENT AND DEVELOPMENT

*There are a lot of “moving parts” to this foundation – how can we make it all work together?*

(Foundation executive)

Key findings about management and development are the following:

- People management skills are critical to the success of foundations and their programs, yet encouraging internal management and leadership can be difficult because many officers are outwardly directed and focused.
- The lack of promotional opportunities because of ‘flat’ organizational structures within many foundations creates the need for increased developmental opportunities to keep officers fresh.

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<sup>6</sup> One leader of a global foundation noted the challenge of recruiting professionals for international work. It is particularly difficult to attract candidates from dual career families, particularly if school-age children are involved.

<sup>7</sup> John S. Knight and James L. Knight Foundation.

- The lack of promotional opportunities also suggests the need for more thoughtful and deliberate transition planning for staff – i.e., for staff to move out of the organization (in U.S. foundations).
- In most of the European foundations surveyed, since the ability to transition staff out of the foundation is limited by restrictive labor laws, the premium must be on developing staff in the jobs, although most foundation leaders surveyed acknowledged that staff development is a relatively fledgling area for them.<sup>8</sup>
- Establishing boundaries of program officer autonomy is important, as individual interests may diverge from foundation priorities.

The structure and organization of philanthropic work presents unusual management challenges. Perhaps chief among these is the need to keep professional staff motivated and fresh in what they do in the face of typically flat organizational structures – with few layers of management hierarchy and, thus, few promotional opportunities.

*The flat structure combined with a highly talented program staff creates the challenge of trying to give them enough room to spread their wings and fly – to gain ownership of their work.* (Foundation executive)

Additional internal management issues arise because program staff are drawn externally for their rewards. Their recognition and sense of achievement before joining a foundation is derived from their specialty field and these networks continue to be a major source of identity during their foundation tenure. This situation produces the management imperative to work at keeping program staff engaged and fresh externally while simultaneously inculcating in them that they are important internal leaders and organizational citizens, and as such have leadership responsibilities to the foundation. One foundation executive described the ideal orientation of program professionals as: “Finding the balance between being involved outside the foundation yet bringing learning back to the foundation – understanding that the inside matters too.”

There is also a tension between individual staff interests and motivation, and overarching foundation goals. Many foundations provide program staff with a great deal of autonomy, but ultimately have to harness the individual parts into one cohesive whole. Several foundation executives suggested that the truly talented program officers present special challenges. *The better program professionals are unmanageable. The challenge is to keep a light touch and keep them just this side of in-bounds.* (Foundation executive) This observation speaks to the inherent difficulty in managing any creative enterprise. To the extent that a foundation values the creativity of its officers, this may be in tension with some of the more mundane administrative requirements for maintaining

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<sup>8</sup> The King Baudouin Foundation has a professional development plan (PDP) approach for its staff, and the Volkswagen Foundation has developed some Internet-based training programs for their staff, both of which represent notable exceptions to this generalization.

a cohesive and productive whole. This is an argument for foundation leaders to be explicit in setting foundation boundaries and operating principles. Even if adopting a light management touch, it is important to establish where the limits lie because reining in staff can be particularly difficult in an environment with highly visible and successful professionals; it requires dedicated management and leadership focus. One foundation executive described the task as: “Identifying the fit between what staff want to do and what the foundation wants to do. Given there’s not much of a career path, this can create problems.”

The indirect nature of foundation program work exacerbates these tensions. Program professionals who have led organizations before joining a foundation and who have had a direct hand in creating change can become frustrated with working at a remove from the action in their fields and, as a result, they can become restless. Helping those individuals plan their tenure within philanthropy – and being explicit with them about their eventual plans to return to a different kind of work – may enable them to remain productive and to develop themselves in new ways during their foundation tenure

### Staff Orientation

Key findings about new employee orientation include:

- Orientation programs are universally disappointing to foundation leaders. Yet, a solid introduction to a foundation’s aims and practices is critical, especially as philanthropies adopt a corporate “branding” approach, in which foundation officers are representatives/ambassadors of the foundation’s message and strategic focus.

Perhaps the weakest foundation interface with program professionals is the first one. When asked: “How are staff oriented to the prevailing culture and values of your foundation and grantmaking philosophy?” the typical response among foundation executives is, “Not well enough.” To quote one HR leader, “Terribly, it’s awful!” From another HR leader: “It’s trial by fire.”

One foundation has developed an orientation model that generally satisfies the organization’s executive and HR leader. Housed within a learning office, this model includes a formal three-day orientation held semi-annually for all new staff which addresses values, vision, mission and strategic plan; programmatic orientation; and infrastructure introduction. A more detailed program learning component is planned for the future, which will address more of the specific procedural as well as philosophical elements of grantmaking within the foundation. Not all foundations studied were this formal in their approach to staff orientation.

Overall, foundations vary tremendously in their orientation practices. Some provide little or no orientation to incoming staff, while others have highly structured programs. Even among the

foundations with formal programs, orientation is a “work in progress”; all of the foundation representatives participating in this study expressed the intention to at least tinker with their current orientation practices.

A particular concern is the degree to which orientation should be centralized. When orientation is conducted within program units, as opposed to managed centrally, the messages conveyed across the foundation to new staff members regarding prevailing culture and values may vary considerably on everything from foundation philosophy to more basic elements of practice such as approval processes and procedures. Similarly, foundations with regional/satellite offices face the challenge of orienting and training geographically dispersed staff, and weaving those efforts together through consistent messages. One foundation executive posed this question: “How can we balance our regional focus with our interest in preserving the sense that we are still one organization?” To overcome this problem, one foundation with an extensive network of regional offices has four two-week “no fly periods” each year, during which all staff must be physically present and available at headquarters for central meetings. This also presents the opportunity for centralized training and development interventions.

Several foundations interviewed use a mentor or buddy system to ease a new staff member’s transition into the foundation. Others provide formal written statements of core values to all incoming staff. Histories or videotapes of the founding families are other means of introducing new staff to the organizations’ values. Whatever the orientation approach, the credibility of a foundation’s introductory process rests upon the tangible newcomer experience of seeing staff “walk the talk.” As one foundation executive noted, culture and values are absorbed by: “Watching how people treat one another. Observing what people look like, i.e., do they *see* diversity, or is it just talked about? What physical surroundings have they chosen to work in – is the space foreboding and pretentious, or open and inviting?”

Within the corporate sector, firms increasingly recognize the power and value of grooming employees as ambassadors to enhance their brand identity. In fact, some companies believe that employees may contribute more to raising brand identity than do advertising campaigns. At a time when foundations are looking to increase their leverage in policy arenas through more proactive communication and policy strategies, a serious look at the potential for employee “branding” programs is warranted. And leverage will be all the more important as foundations face declining grantmaking budgets in the current weakening economy. For example, an aggressive foundation branding program at the Pew Charitable Trusts uses the tag line “Investing in Ideas, Returning Results,” in most of its communications, internal and external. The concept is that the emphasis on results will “wash through” all of the foundation’s work, affecting the way they make program investments as well as grantees’ expectations about performance. This tag line message – both its content and its pervasiveness -- is considered one way of helping staff become good and consistent ambassadors of the foundation’s message of prestige, quality, and focus – its image or brand

identity. In theory, if the foundation does high-quality work, the staff communicate effectively and in unison, and the organization is highly regarded, it will have more leverage in policy arenas.

### Performance Management and Differentiation

*How can we give a sense of individual recognition in a field that in its essence works through others?*

(Foundation executive)

Key findings about performance management and differentiation are:

- Performance management systems – formalized means by which employee performance is assessed and managed – are standard practice among large, professionally staffed private foundations.
- Most foundations currently do not emphasize performance differentiation because retention is not a major problem. Nonetheless, many foundation executives and HR leaders want to make more meaningful distinctions among their top performers in the future.
- Identifying clearer means by which to encourage staff transition (out of foundations) is a greater challenge than that of retention.

In the corporate sector, studies have demonstrated that the use of performance appraisals and performance management processes correlate with improved quantifiable performance.<sup>9</sup> These practices are: the use of performance appraisals, the use of a performance management process to assess and improve performance, setting employee goals and objectives, providing performance feedback, and helping employees understand the relationship between their individual actions and organizational outcomes.

All but one of the U.S. foundations in this study use a formal performance appraisal.<sup>10</sup> The performance appraisal instruments are similar: Most have four ratings for performance,<sup>11</sup> some link to an individualized workplan for program professionals with goals and objectives, and most provide an opportunity for each staff member to submit his/her self-appraisal and/or a response to the supervisor's review. One foundation utilizes a modified 360° instrument (a means by which performance input is provided from peers, subordinates, and superiors), another is introducing one, and several foundations will conduct 360° reviews as a management development tool as needed.

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<sup>9</sup> Bartel, Ann P., "Productivity Gains from the Implementation of Employee Training Programs," *Industrial Relations*, October 1994, 33 (4), pp. 411-425, and Huselid, Mark A., "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance," *Academy of Management Journal*, 1995, 38 (3), pp. 635-672.

<sup>10</sup> The one foundation exception was in the process of developing its first performance management system.

<sup>11</sup> One foundation used 5 ratings, two used 3, and two used no ratings/scaling.

Foundations are about evenly split between those that use one standard form for all positions, and those with separate assessment instruments for different job families (such as administrative *versus* program staff). Most foundations conduct all performance reviews during a single period each year, rather than on employees' anniversaries.

Foundations use a wide range of interventions for program staff who are not performing well. These include: training offered in-house or externally, coaching, special mentoring arrangements, and the development of formal performance improvement plans. A survey of executives in industrial companies found that the most effective development approaches occur on the job, while the least effective are more didactic trainings.<sup>12</sup> This suggests that a greater emphasis should be placed on direct feedback and coaching from supervisors in a "live" context.

Most foundation executives and HR leaders in this study feel they are not making very meaningful distinctions among their top performers, and that this would be important to achieve both from a management and performance standpoint. A common impediment is that performance appraisals typically are skewed well into the top measurement quadrant, with large numbers of staff "exceeding expectations." As one HR leader lamented, "The combination of a high-powered staff and a nice, non-confrontational culture means that a large number of staff are rated quite highly." This tendency, coupled with relatively small merit increase pools, has had a dampening effect on meaningful performance differentiation in the foundation world.

One HR leader noted that performance differentiation is expressly *not* a goal because promoting a democratic spirit among staff is seen as a cultural priority. This contrasts with the growing interest in performance differentiation in the for-profit sector, where a recent survey found corporate executives reporting that top performers should ideally be paid over 40 percent higher than average performers (although this is not necessarily realized in practice).<sup>13</sup>

Among the foundations interested in seeing more differentiation, promotion is the primary means by which top performers are rewarded. However, the relatively flat organizational structures of many philanthropies limit promotional opportunities. One foundation president notes that probably the best way in which top performers are recognized is through "the way we talk about them, the frequency with which they're cited, and the ease with which they gain board approvals." Four foundations among the U.S. study group use bonuses for their program professionals. One is moving away from the "equity push" of its recent past, and is striving for more performance differentiation through financial bonuses, as well as deferred compensation, tax planning, and other

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<sup>12</sup> Douglas G. Shaw, "Building Top Management Bench Strength: Succession Planning's Challenge for the '90s." In Craig Eric Schneier (Ed.), *Human Resource Strategies for the '90s: A Basis for Competitive Advantage* (New York, American Management Association, 1990), pp. 40-50.

<sup>13</sup> Axelrod, E.L., Handfield-Jones, H., & Welsh, T.A. "War for Talent, part two," *The McKinsey Quarterly* 2001, Number 2.

special perquisites.<sup>14</sup> Another foundation experimented with bonuses but has discontinued the practice because of difficulties involved in making meaningful performance distinctions (except for the rare equity adjustment for someone who has topped out of his/her grade). Many foundations use “spot awards” – smaller awards for exceptional performance – for which all staff are eligible. The foundation president typically makes the awards, albeit with guidance and recommendations from staff, including the human resources office. Flexible benefits in terms of work environment, office equipment and other perquisites also are common. For example, the Bertelsmann Foundation, in addition to providing managers with the choice to use different pay-for-performance incentives, also is increasingly focused on providing workers with flexibility to better balance their work and family concerns.

### Leadership and Professional Development

Key findings about leadership and professional development include:

- Many program professionals lack leadership and management skills, yet foundation training programs in these areas are underdeveloped.
- Few deliberate programs exist to reinvigorate program professionals’ networks.

Foundations are output-based organizations. The high premium placed on superior substantive skills that officers are typically expected to bring to foundations may point to a think-tank environment, but in reality these are institutions that must turn out a product. Officers are expected to make and move grants out the door in a thoughtful and effective manner. To do so requires internal leadership, as well as management skills.

Many foundation executives and HR leaders participating in this study report that while senior program professionals are accomplished in their fields of expertise, their management and leadership skills are often deficient. The critical gap appears to be the ability and proclivity of these staff to engage in direct communication with other foundation staff and constituencies, most notably grantees. For example, one essential facet of a foundation officer’s work is to turn down proposals from prospective grantees, which requires the ability to communicate directly, clearly, and in a timely fashion. But, program professionals do not always have these competencies. Most foundations are refining their training to address this capability gap in communication skills, but these efforts are generally in a nascent stage.

At present, management training in U.S. foundations is most well-developed for the performance management process. Human resources units typically have well-developed training programs that

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<sup>14</sup> It should be noted that foundations with investment staff *do* report separate bonus-driven compensation plans for these individuals. The discussion of bonuses in this paper refers only to program staff.

define the responsibilities of both supervisors and subordinates in managing these performance appraisal processes. In other words, foundation program professionals are being trained by their organizations to participate effectively in some of the internal processes and procedures, but not as often to exercise the core competencies required to be successful agents with external constituencies.

Foundations are, however, becoming more actively engaged in refining and developing staff training programs focused on grantmaking approaches and associated skills, such as facilitation. The Ford Foundation has recently launched a major web-based training program for foundation staff that it has opened up to other interested grantmakers.<sup>15</sup> The site utilizes a range of tools to convey the elements of effective “grantcrafting,” including case studies and videos. Other foundations have customized in-house training programs for their staff, including The Pew Charitable Trusts’ extensive course offerings through Pew University (“Pew U”). The King Badouin Foundation has a formalized professional development plan (PDP) process for its staff, which includes identification of areas for further training. And the Volkswagen Foundation has some Internet-based training opportunities for its staff.

All organizations face the challenge of keeping employees fresh and motivated, but this is particularly important for large staffed foundations, which generally strive for innovation and have a low rate of professional turnover. One foundation executive explains the objective as: “Keeping people fresh and enthusiastic rather than jaded – in particular, preserving the freshness of programs and taking care in how grantees are treated.” Of those surveyed, the Ford Foundation has taken the most structured step in this regard by imposing “term limits,” which require that their program professionals are hired for three-year terms that can be renewed only once. After that, staff must transition from the foundation (although there is also the option of promotion to another position). This policy means that the professional staff is always in some degree of transition, with new employees and new networks invigorating the system continuously. Although some may have an interest, none of the other foundations in this study has adopted a fixed tenure policy for program professionals. One criticism of term limits voiced by a foundation executive is that staff focus too much on their next job and not enough on their current work.

Beyond Ford’s planned turn-over approach, few foundations have concrete mechanisms in place to reinvigorate external networks. The John S. and James L. Knight Foundation has experimented with network mapping for its community liaison officers working in different geographic areas, because the value of their networks is so clearly linked to the foundation’s community grantmaking strategies. For the same reason, when Knight Foundation staff attend conferences, they are expected to make and report on new contacts. Another foundation uses external evaluations of clusters of grants as a mechanism to elicit candid feedback from outsiders regarding the program’s networks

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<sup>15</sup> This is the Ford Foundation’s *Grantcraft* project, which can be found at <http://www.grantcraft.org>.

and openness to new ideas and strategies. As one foundation executive summarizes, “For awhile, the primary challenge was bringing people in and training them. Now it’s keeping people fresh and keeping them humble.”

As already noted, the concept of term limits among European foundations would almost certainly be moot. While labor laws vary from one country to another, all European leaders reported severe impediments to their free movement of staff. This places an especially acute burden on European foundations to be selective and strategic in their recruitment. As one foundation leader noted, it is essential to find people who are talented enough that they won’t get “stuck” in these jobs – they should always have the skills required to make them attractive for options outside the foundation. It also means that keeping staff fresh and motivated is all the more challenging. As one foundation leader reported, the greatest challenge he faces is how to keep this a “breathing organization”, particularly as so many of the professional staff have almost permanent tenure.

## TRANSITIONS

Key findings about transitions are:

- Foundations in the U.S. can do more to stimulate staff transitions but are often reluctant to move people out.
- Outplacement services and exit interviews are standard practice among the U.S. foundations surveyed.
- Foundations typically do not have good systems to capture and preserve the knowledge of program officers who leave, yet this information is critical for organizational learning.

Foundations do not struggle with attracting and retaining talent, but they do face the task of moving people out in order to energize networks and thinking among their program staff. Some foundation executives believe that longer tenure makes for better and deeper grantmaking. And certainly those organizations that have been fortunate enough to establish themselves as grantees of a foundation would prefer limited staff turnover among their officers. And because of strict labor laws, European foundations typically do not have the luxury to contemplate employee termination (except by eliminating whole offices or programs). Although given the U.S. experience in managing transitions, one has to wonder whether the results would be much different were labor laws more flexible in Europe. In the U.S., where options *do* exist to move staff more freely, even in instances where a program officer’s performance and spark is waning, the lack of rigorous performance differentiation, coupled with the typically non-confrontational atmosphere in many foundations, tend to delay difficult transition discussions and decisions. These delays represent an opportunity cost to

foundations in the form of new programs/ideas not seized and financial resources that could be invested in programs rather than in staff of diminishing productivity or value to the foundation.

All U.S. foundations in this study use outplacement services when needed in the event of forced transitions, but the services provided tend to vary with each case. Interestingly, none of the foundations has policies regarding potential conflicts of interest for staff members leaving the foundation – either in terms of transitions to a current or potential grantee organization or staff leaving the foundation with a grant. This does not necessarily mean that these are accepted practices, only that formal policies governing such potential conflicts are not in place.

Human Resource leaders generally report having an exit interview process in place – some that document exit interview findings, and some that intentionally do *not* document them. Information gleaned from these sessions is shared in varying degrees of formality with senior management, but most often discreetly, and only as patterns of problems emerge. The HR leaders report that this is a valuable means to stay abreast of organizational issues and identify areas for improvement.

Few foundations have formal systems to capture specific program learning as professional staff transition out (e.g., beyond the organizational questions asked in the exit interview). The Ford Foundation, with its term limits, does have a fairly structured process for documenting program officer experience. A few other foundations either have or are developing technology-based knowledge management systems that they hope will make program officer experiences and learning readily accessible to successors through databases. The Bernard van Leer Foundation is developing an extensive knowledge management program – less to address staff transitions than as a primary means to foster learning across disciplines. At a minimum, these databases capture important information about key contacts, interfaces with the foundation, and current grant status. Foundations that are moving increasingly toward a team-based approach to programming find that the team orientation and structure helps to capture and retain organizational learning.

## THE HUMAN RESOURCES FUNCTION IN FOUNDATIONS

Key findings about the HR function in foundations include:

- The role of the human resources professional tends to be undervalued by foundation executives, and the HR unit is seldom viewed as a strategic partner to executive leadership.
- Valuable lessons exist in the for-profit sector, particularly regarding the strategic role of human resources as a business partner and the potential to outsource much of the administrative work of the unit.
- The CEO’s role in shaping values and practices around people management issues is of critical importance.

### Foundation Data

The average ratio of human resources staff to total foundation staff size among the reporting foundations was 1:25, or 4 percent. The highest reported percentage was 7.2 percent and the lowest was 2.7 percent, with a median of 3.9 percent. Human resources departmental budgets as a percentage of total foundation expenditure are not tracked consistently, and the data are not particularly meaningful as a result. For example, some foundations include all employee payroll and benefits costs in their HR department budgets. To the extent that figures can be derived from HR unit expenditures in isolation, the range is from 1 to 3 percent of total operating budget, although in one study case it is 8.2 percent of the total budget.

When HR leaders were asked to provide a *current* as well as an *ideal* distribution of time allocated to HR department functions, they reported the following (arrayed in descending order):

Current HR functional distribution in		Ideal HR functional distribution	
Recruitment	20%	Strategic planning	20%
Benefits administration & counseling	16%	Staff development & training	18%
Counseling & conflict resolution	14%	Recruitment	15%
Personnel administration	13%	Leadership development	13%
Staff development & training	10%	Benefits administration & counseling	12%
Strategic planning	9%	Counseling & conflict resolution	9%
Managing staff transitions	7%	Personnel administration	6%
Leadership development	6%	Managing staff transitions	4%
Other	5%	Other	3%

HR leaders wish to invest more time on strategic planning, staff development and training, and leadership development, as indicated by the upward arrows in the *Ideal* side of the HR functional distribution chart. Strategic planning and leadership development, in particular, represent the strategic architecture and building facets of the organization. The maintenance and administrative functions had lower priority in the ideal scenarios. Consistent with trends in the for-profit sector, many of the latter functions might be outsourced over time.

Although the strategic function is clearly a goal among HR leaders, one laments, “HR has been more of an after-thought than a true strategic partner.” For others, it is more “out of sight, out of mind.” If a program officer has had to navigate a personnel problem with the help of HR staff, he/she likely has an appreciation for the function -- otherwise not. Interestingly, and while not getting much recognition for it from foundation leaders, HR staff often describe their role in staff recruitment and ongoing development in ways that point to their critical importance in building institutional culture. It is typically the HR interview that simulates the real work of the prospective officer, as well as orients candidates to the values and culture of the organization in a consistent fashion.

One area where HR units could be more helpful, but where their role at present is inconsistent, is in the organization’s strategic planning for staff growth. HR professionals have valuable insights that could assist foundation leaders in thinking about alternative models for staffing. For example, staff planning could be linked more systematically with program strategic planning, and include not only growth plans, but also more deliberate staff transition plans as lines of work cease. In particular, HR leaders can be helpful in articulating what the core work is and the characteristics of staff needed to execute the work effectively.

These plans could also build in time horizons for new lines of work and might explicitly incorporate and factor in the use of consultants or contract employees as a means to enhance flexibility in certain new, and potentially high-risk areas of work. There was very little creative discussion in the study interviews of contract employees as a means to augment the work and to prevent staff “creep,” but it does seem an important area on which to consult with HR units. For foundations that are open to explorations of new lines of strategy on a periodic basis, the use of more flexible staffing arrangements may be warranted. Once permanent officers are in place, they – and their programs – are difficult to change or eliminate.

Program staff see the HR units as providing clear value as technical resources and support to the foundation. And in some foundations, the HR function is indeed viewed as more of a strategic partner than in others. Not surprisingly, *all* of the HR leaders described their CEO’s role in shaping values and practices around people management issues as being of critical importance.

In the for-profit sector, HR practitioners are becoming partners to corporate leadership, moving to a more strategic orientation and away from the transactional role they traditionally held. In their role as business partners, HR units have an increased orientation to internal and external customers,

whether through strategy, organization design, performance measurement, or even designing incentives. Perhaps associated with this movement toward business partnership, approximately one-fourth of large U.S. businesses have HR executives who had no prior experience in HR before assuming their leadership posts. Many of these individuals come from backgrounds in accounting, finance, or law.<sup>16</sup>

HR units in the for-profit sector are grappling with implications posed by rapid changes in technology, including greater opportunities for companies to outsource many of the more transactional HR processes, such as payroll and benefits. It is likely that most, if not all, HR processing will be outsourced or automated in the future for greater cost-savings and efficiencies. As a result, HR's role as a business partner may focus more on strategic capabilities such as talent management, leadership and organizational development, change management and branding initiatives.

## CONCLUSION

With the opportunity to engage in stimulating and important work for competitive pay and benefits, relative insulation from most economic storms,<sup>17</sup> and desirable and often flexible workplaces, foundations are not struggling to attract or retain professional staff. If anything, foundation leaders are more likely to concern themselves with the need to stimulate turnover in order to generate fresh networks and ideas. Without a forced external economic framework, making difficult decisions about less productive staff is all too often delayed in foundations. In Europe, these decisions cannot be implemented without facing significant legal risks.

Because foundations are well able to attract and retain talent but less capable of letting go of unproductive staff, it is critical that foundation executives and HR leaders ensure careful assessment of potential candidates up front. In order to do this, they must fully articulate the key attributes that will contribute to excellent performance in their foundations -- which requires a keen understanding of the work required of a program professional as well as the competencies required to perform that work most effectively. Top foundation leaders do not always fully appreciate the real work of program professionals, which can lead to poor decisions about who is hired.

Perhaps most critical to improving foundation performance is elevating the importance and value of sound management practices and leadership skills among program professionals. Although it is difficult to measure foundation performance quantitatively, it is clear that to deliver a high volume

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<sup>16</sup> Bates, S., "No Experience Necessary?" *HR Magazine*, November 2001, p 36.

<sup>17</sup> The 2001-2002 decline in the value of stocks that form the asset base of many foundations, which led to grantmaking cutbacks and staff layoffs, follows more than a decade of growth in the philanthropic sector – growth in the number of foundations, total assets, and funds disbursed. The relationship between the sector's financial position and the larger economy seems to be in a period of adjustment to new sources of wealth, and changes in wealth.

of quality programs on a timely basis and in a professional manner requires effective management. This study suggests that a gap exists between the skills that some program professionals bring to their foundation positions and the skills needed to effect long-term change in fields – indirectly, as foundations necessarily must do. Effecting long-term change in fields involves nurturing a series of complex relationships over time through strong interpersonal skills and mutual accountability. Within foundations, performance expectations in the area of relationship skills – going beyond the substantive knowledge most frequently sought in program professionals -- need to be articulated, monitored and managed, and this area of individual performance enhancement needs to be supplemented by internal leadership to bring foundation programs together into a cohesive whole.

This is particularly challenging because, with the exception of board pressure, the discipline needed for effectiveness must emanate from within a foundation. The inherent power imbalance between foundation staff and outside nonprofits makes receiving performance feedback from – and, in turn, being held accountable by – external sources a perennial problem with elusive solutions. Under these conditions, strong management rigor supported by accompanying structures and systems are perhaps more important in foundations than in many other institutions given the public trust placed in foundations and the significant weight these institutions wield within the nonprofit community (and beyond).

The complexity and delicacy of foundation work and surrounding relationships require the focused attention of sound managers – people who are both insightful in their respective fields, but who also know how to move the work of others. Foundations are not academic enterprises, but output organizations, and as such must develop internal management *and* leadership capabilities to a degree that is not fully realized at present. It may take time for a foundation executive who is new to the field to appreciate the genuinely demanding elements of people management that are required, yet it is essential to integrate program planning strategically with a foundation's engines for implementation – its program professionals.

## ABOUT THE AUTHOR

### **Nadya K. Shmavonian**

Nadya K. Shmavonian is an independent consultant who provides strategic direction and counsel to foundations and nonprofit organizations. She brings extensive foundation management experience to her practice, including 12 years at The Pew Charitable Trusts where she worked as executive vice president, following several years as director of administration and as a program officer in health and human services.

Her consulting practice includes work with foundations and nonprofit organizations in the areas of management consulting and executive coaching, leadership and organizational development, meeting facilitation, strategic planning and evaluation, infrastructure development, human resources management and program design. Before joining the foundation community, she had considerable experience in the health sector as well as international humanitarian relief, both of which she has continued to address during the 16 years she has spent in and around philanthropy. Ms. Shmavonian is a writer and resource for media and philanthropy trade associations on issues related to foundation management and philanthropic trends. Ms. Shmavonian serves on a number of nonprofit boards including: The Center for Bioethics of the University of Pennsylvania; The Pew Fellowships in International Journalism; Abington Memorial Hospital Foundation; Chestnut Hill College; and the National Philanthropic Trust advisory board. She also has been selected to serve as a member of the International Network on Strategic Philanthropy, an international working group of professionals working in philanthropy supported by the German-based Bertelsmann Foundation. Ms. Shmavonian holds a B.A. from the University of Chicago, and an M.B.A. in health care management from the Wharton School of the University of Pennsylvania

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