

The Leaner-Is-Always-Better Myth: One Size Doesn't Fit All Foundations

By Phil Buchanan

To hear some tell it, big, heavily staffed foundations are on their way out. Like bookstores and taxis, they'll soon be obsolete, if they're not already.

Sean Parker, of Napster and Facebook fame, declared in an essay in *The Wall Street Journal* that "the executive directors of most major private foundations, endowments, and other nonprofit institutions are dedicated, first and foremost, to preserving the resources and reputations of the institutions they run. This is achieved by creating layers of bureaucracy to oversee the resources of the institution and prevent it from taking on too much risk."

As a result, he writes, "many large private foundations become slow, conservative, and saddled with layers of permanent bureaucracy, essentially taking on the worst characteristics of government."

In a similar vein, David Callahan, founder of [Inside Philanthropy](#), writes that new donors are embracing a "leaner" philanthropy and that "places like Ford" — which he calls "[philanthrosoraus rex](#)" — "will start to feel more out of step with the mainstream of philanthropy, a sharp change from a past era when big foundations embodied state-of-the-art grant making."

Mr. Callahan suggests there is growing recognition that "lumbering legacy foundations, with their program support models, are doing things wrong and underperforming as a result."

Heavy charges to level.

But are the big, new foundations actually choosing leaner staffing models, or are they just new and in the process of figuring out their structures and doing the necessary hiring? And is it really the case that leaner is always better?

On the first point, it's worth recalling that *The New York Times* said in 2002 that the Bill & Melinda Gates Foundation had adopted a "lean, informal structure." Today, more than 1,000 people work there.

As an example of the "new" philanthropy's approach to staffing, Mr. Callahan frequently mentions the [Laura and John Arnold Foundation](#), a \$1.7-billion fund in Houston, as archetypal of the new model. He describes it as "a sophisticated funding effort with a small staff."

The staff may, indeed, be fairly small — though not radically so — but it is growing rapidly. It numbers 34, two of whom are part-time, and is on track to employ a total of 42 people once eight positions are filled, said Leila Walsh, the foundation's director of communications

Compare that with the 64-year old [Brown Foundation](#), also in Houston, which has \$1.4 billion in assets. Its executive director, Nancy Pittman, tells me the foundation currently employs just nine people — two of whom are part-time.

Brown distributed \$64 million in the last fiscal year and \$74 million the previous year.

By contrast, the Arnold Foundation distributed \$104 million last year and has paid out \$128.5 million so far in 2015. So, looking at dollars out the door relative to staff, it is clear that, in fact, it is sometimes the old foundations that are leaner than the newbies.

But what all of this misses is a more important question: Why is leanness always so great, anyway? I imagine Mark Zuckerberg — who seems, from media accounts, to be the kind of guy who earnestly seeks to learn from his mistakes — looks back at [what happened in the Newark schools](#) and wishes he had had more help, not less, in understanding what was really going on there before spending \$100 million.

Indeed, my guess is that Mr. Zuckerberg's philanthropy will be handled by a growing staff in the years to come. Just as a toddler who is not yet walking is not a harbinger of a trend of embracing crawling as a superior mode of human transit, leanly staffed young foundations may often simply be in an early developmental phase.

Furthermore, the reality is that foundations need staff to do certain things well. In most fields and communities, getting to know the relevant nonprofit players — to choose those that are most effective, innovative, community-centered, the best fit, or whatever other criteria a foundation is using to decide where to place its bets — is a labor-intensive process. And the present reality, whether ideal or not, is that most foundation-supported nonprofits are small. The median budget size of the tens of thousands of grantees of the large foundations surveyed over the years by the organization I lead, the Center for Effective Philanthropy, is just \$1.4 million.

This means that to understand what's going on in a community or a field — to help nonprofits connect with each other, share lessons learned, and avoid being isolated in ways that can undermine effectiveness (and drive grantees crazy) — a foundation program officer doesn't need to form just a few relationships. He or she often needs hundreds.

I am not advocating that foundations expand their ranks haphazardly. The right hiring model for a foundation will vary depending on its goals and the context in which it works.

"The idea that lean staffing is 'better' is just a variation of the argument that lower overhead is better, except now critics are applying it to funders rather than NGOs," says Larry Kramer, president of the William and Flora Hewlett Foundation. "And it's misguided for the same reason." (Disclosure: The Hewlett Foundation is both a client and significant financial supporter of the Center for Effective Philanthropy, providing \$500,000 in annual funding.)

Some approaches require larger staffs than others.

Take the [Wilburforce Foundation](#), in Seattle, which focuses on the conservation of wildlife and wildlands. To achieve higher levels of effectiveness, Wilburforce's grantees often need support that the foundation provides. Wilburforce gives an unusually high proportion of its grantees the kind of intensive beyond-the-grant assistance that our research has shown is correlated with more positive perceptions of impact on grantees' organizations.

Wilburforce has excelled consistently in the eyes of its grantees, receiving strikingly high ratings in the surveys of grantees we conduct for foundations. For example, the foundation places in the highest ranks of grant makers we have surveyed on attributes such as "impact on grantees' fields," "understanding of grantees' fields," "advancement of knowledge in grantees' fields," "influence on public policy in grantees' fields," "approachability when a problem arises," "fairness of treatment," and "responsiveness."

Wilburforce's approach is staff-intensive because it depends on relationships. "At the very basic level, solid relationships with grantees are critically important because grantees are a very good source of information for us," explains Paul Beudet, Wilburforce's associate director. (Disclosure: In addition to being a client, Wilburforce provides \$5,000 in annual grant support to the center I lead.)

Grantees "are the ones doing the on-the-ground work," Mr. Beudet says. "If we have high-quality, long-term, trust-based relationships with grantees, we believe that we'll have better knowledge around which we can make smart investments in their organizational and programmatic capacity, helping them to more efficiently and effectively achieve their outcomes."

This approach has influenced the foundation's structure and its staff number. Wilburforce staff has fewer active grants per program officer than the median foundation in our comparative data set of several hundred, and those program officers have responsibility for fewer dollars. So, while the foundation may not be "lean" by those measures, it is clear that its staff's work is making a difference to grantees.

To note that Wilburforce's model works is not to suggest that it is superior to others. Nor is it to deny that there are some foundations that do, indeed, too closely resemble the caricatures drawn by Mr. Callahan and Mr. Parker. (I've seen them up close.) But it is to make the point that foundations need staff to do certain things well.

We know this. Our analysis of the provision of assistance to nonprofits beyond grants has shown that foundation staff members with fewer active relationships with grantees provide more of the most useful patterns of assistance beyond the grant. Those with too many relationships to manage — those whose foundations are too lean — are unable to do so.

We reported those results back in 2008, but recently replicated them with our now much-larger data set of surveys of tens of thousands of grantees of nearly 300 foundations.

It's not just numbers that matter, of course. It's the quality of a foundation's staff. Ask nonprofits what matters most in their relationships with foundations and they'll almost certainly tell you it's all about the program officers. In analyzing our data on grantee perceptions of foundations, we have seen this powerfully corroborated by the data. On many aspects of the grantee experience, there is more variation explained statistically by the answer to the question "Which program officer was your primary contact?" than to "Which foundation funded you?"

We also know that what happens within a foundation's walls doesn't stay inside those walls; it is correlated with grantee experience. In an analysis of contemporaneously gathered staff and grantee perceptions at 29 foundations, my colleagues at the center found a relationship between staff climate and culture and the grantee experience. Our [analysis](#) demonstrates that it isn't just the number of staff members that matter or the performance of individuals but also the overall culture and climate.

Today, it's almost de rigueur to declare that any institution or model that has existed for more than five minutes will be "disrupted." It's definitely a good way to get some attention.

But like rumors of Mark Twain's death, the reports of the demise of big foundations may be exaggerated.

Phil Buchanan is president of the Center for Effective Philanthropy and a regular columnist for The Chronicle. This column is adapted from a [series](#) of posts he wrote for the center's blog.