

Toward More Effective Use of Intermediaries

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Discussion Guide

Introduction

This study guide is designed to help you think through the concepts presented in Peter Szanton's monograph, *Toward More Effective Use of Intermediaries*, and consider how you might apply them in the everyday practice of philanthropy. The guide contains a series of exercises intended to stimulate individual reflection and serve as the basis for group discussion.

Exercise 1: Contracting with an Intermediary Organization

This exercise works best in a small group with about six people. Before meeting, assign pairs of individuals to the following roles: foundation program officer, leader of an intermediary organization, and grantee. Ask the program officers to draft a contract with the intermediary organization, and, in turn, ask the IO leaders to prepare a contract with the foundation. The drafts should take key factors into account, such as:

- Goals and objectives for what is to be accomplished
- Funder's role and responsibilities
- IO's role and responsibilities
- Degree of autonomy for the intermediary
- Communication between funder and IO and funder and grantees
- Evaluation
- Timelines.

The group members may decide to add other elements to the list specific to their needs and organizations.

The program officers and IO leaders should bring their contracts to the session, and share them with all participants. The group can then discuss the following questions:

1. What do the grantees have to gain or lose from either contract? What do they want to negotiate from the IO? What do they want from the funder?
2. What are the tensions between the funder and IO? What can the funder negotiate? What is non-negotiable? What does the IO see as negotiable and non-negotiable?
3. What are the benefits from each side's perspective?
4. Having heard from all sides, how would the funder and IO alter their contracts?

Exercise 2: Reflecting on IO Experience

This exercise also works well in a group, but it can be done individually. Ask participants to think back on their past experience working with an intermediary organization. They should first describe what occurred, and then reflect on the elements that worked successfully, those that did not go well, and the reasons for both outcomes. Participants can use the worksheet that follows as a tool to help analyze the problems they encountered as well as possible solutions. The worksheet lists common challenges in partnerships between funders and IOs, as well as some strategies to address them, but participants may need to think of additional approaches specific to their situations.

Funder's Perspective on Problems and Solutions

| Problem | Solutions | Notes |
|---|--|-------|
| <p><i>Undermanagement</i></p> <p>Funders tend to underestimate the complexity and risks involved in placing an IO between themselves and their grantees, and often undermanage the relationship as a result. Examples of problems that arise include: conflicting priorities and values, inadequate time and investment to establish necessary staff and infrastructure, and finding that the IO needs more support and supervision than anticipated.</p> | <ul style="list-style-type: none"> • Be clear about roles and expectations. • Choose people you know and organizations with known values and competence. • Go slow—when the funder has not worked with the IO before, the IO's discretionary authority can be limited until it has demonstrated competence and alignment with funder's values. • Pay sustained attention. • Invest in the IO. <p>Other solutions:</p> | |
| <p><i>Trust</i></p> <p>Grantees may be mistrustful of an IO when they previously dealt directly with the foundation. This is especially true in capacity-building situations, where an understanding of the grantee's weaknesses is necessary for the IO to be able to help.</p> | <ul style="list-style-type: none"> • Establish a no-fault environment. • Maintain funding commitments. • Split IO grantmaking and technical assistance staff. • Maintain ignorance (IOs may choose to remain ignorant of some grantee faults). • Provide effective help. <p>Other solutions:</p> | |
| <p><i>Loss of interest</i></p> <p>When an IO is interposed between a funder and grantee for a long period of time, the funder can become inattentive or lose interest.</p> | <ul style="list-style-type: none"> • Maintain direct contact with grantees. • Task the IO to report with vividness and frequency and convey results to the board. • Task grantees to maintain direct connections to funders. <p>Other solutions:</p> | |

| Problem | Solutions | Notes |
|---|--|-------|
| <p><i>Temptation to exaggerate</i></p> <p>Because funders tend to evaluate IOs based on gains in grantee performance, IOs are often unintentionally incentivized to exaggerate grantee performance.</p> | <ul style="list-style-type: none"> • Make the IO’s work evaluable. • Use known organizations as IOs. • Reward honorable failure. <p>Other solutions:</p> | |
| <p><i>Tension with other funders</i></p> <p>Tensions can arise when an IO, working on one funder’s behalf, seeks to change a grantee. The grantee’s other funders may not agree with the recommended approach.</p> | <ul style="list-style-type: none"> • In advance, explain the reasons for seeking change to the grantee’s other funders—bring them along before you become so far apart that conflict results. <p>Other solutions:</p> | |
| <p><i>Changed staffing needs</i></p> <p>When they begin to use IOs, some funders discover that their own workloads shift. The balance changes over time in the need for administrative and substantive expertise.</p> | <ul style="list-style-type: none"> • Be flexible and review your staffing arrangements so they can shift, as needed. <p>Other solutions:</p> | |
| <p><i>Other</i></p> | | |

Exercise 3: Handling Common Problems—Case Scenarios

Conflicts between funders and IOs often occur because of unclear expectations, poor management, and mismatched objectives, approaches, and capabilities. This exercise presents common scenarios in which funder and IO interests and styles collide. After reading the cases, participants can list the major issues, think about how they might resolve them and respond to the discussion questions that follow the scenarios. The exercise is most successful with a small group, but also can be done by individuals.

Case 1

Over time, the Lipton Foundation realized that its IO just didn't have the right capacity, or wasn't ready, to do the job for which it had been hired. At the outset, the IO never explained its needs clearly to Lipton, and as months passed, communication became difficult. The IO hid from the funder. Although it had assigned a staff liaison to work with the foundation, the staff person was too junior to discuss budget and other critical issues, and the IO's senior leadership was inaccessible. The IO didn't anticipate Lipton's need for information regarding the issues and context of the grant as well as the grantee organizations, and sent in reports that were late, incomplete, and lacked an executive summary that would make it easy for foundation staff to learn what was going on. The IO concealed problems out of fear of losing funding, and seemed to wait as long as possible to share bad news. The Lipton Foundation heard about problems from its grantees. The IO didn't want outside involvement—either from an evaluator or advisers. The IO never looked at its contract after signing it, and didn't remember or review the terms from year to year.

- How would you define the problems? What title would you give this case?
- What might underlie this situation?
- When would these problems likely have started?
- What are possible solutions? How would you intervene to move the situation to greater clarity?

Case 2

The Simpson Foundation did not understand that its IO needed to build infrastructure. Simpson gave the IO only 10 percent of the total project budget, with 90 percent going to the grantees. The IO, hungry for resources and prestige, pretended that it could do the job within this limit, but the reality was that it had to skimp. Inexperienced staff were hired and

were soon in over their heads. Due to lack of money, the IO couldn't meet with grantees frequently enough to adequately track grantee progress. Eventually, the IO commingled funds and lost track of the grant. Communication with the funder also suffered—neither good nor bad news was shared in a timely way.

- How should the value of an IO be appraised? What would make it worth 5, 10, or 20 percent of total grant resources? Under what circumstances would it be worth 20 percent?
- What should be the process to negotiate this administrative amount?
- How should an IO justify its administrative costs?

Case 3

In the past, the Sumner Foundation worked directly with its grantees in the arts and cultural community. Grantees had good, collegial relationships with Sumner staff and board members. Problems are arising now that an IO has been introduced into the picture. The IO's field representative is pushy and tells grantees what their priorities should be. The grantees resent the IO and continue to contact foundation staff, executives, and trustees directly. The foundation receives both important and irrelevant information from these communications. The IO, in turn, is frustrated because it is having such a difficult time becoming the "go to" place.

- How would you define the problems?
- What are potential solutions?
- How would you work through them?
- What will be the crux of the negotiations?

Case 4

The Sherwood Foundation created an IO several years ago and has been its sole source of support. Now the foundation believes it no longer needs the IO, but wants to allow it to continue its mission. New funders are reluctant to become involved in making grants to the IO because it has always been so identified with Sherwood.

- What are the ways Sherwood might work with the IO to help assure its continuation?
- What are the direct steps the foundation might take?
- How should a funder think about exiting from a relationship with an IO over the short- and long-term?