

Chapter 9

Scaling Up Successfully

Families that are deeply engaged in philanthropic giving may reach an inflection point and decide to significantly increase their giving. This change can be driven by a variety of factors including but not limited to a wealth event, such as the sale of a company, or a bequest.

Increasingly, for many philanthropic families, the decision to scale is not just about amplifying contributions; it's an opportunity to integrate equity and inclusion into the core of their strategy. This means considering how to elevate marginalized voices, communities, and organizations and address historical imbalances as they expand their philanthropic reach.

Laying the groundwork for a successful transition to larger scale philanthropy will require a review of foundational aspects such as revisiting your philanthropic mission and values to ensure alignment with your intent to scale.

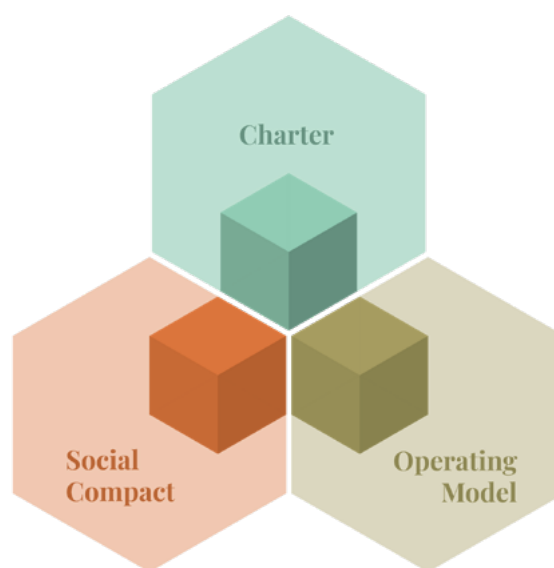


A change in the scale of philanthropy due to the sale of a company, a bequest, an adjustment to time horizon and any other reason will require adjustments to strategy, systems, staffing, governance, or other aspects of giving.

The Philanthropy Framework: A Tool for Foundation Review when Scaling

When you become aware of an impending scaling event, it is important to assess your current governance structure and its ability to handle the expanded scope and complexity that scaling may entail.

RPA's [Philanthropy Framework](#), which includes an analysis of charter, social compact, and operating model, provides a useful structure for this assessment. By reflecting on points of alignment and misalignment, you can better prepare yourself for a scaling event. The [Philanthropy Framework Self Assessment Tool](#) is based on the Philanthropy Framework and is a helpful entry point to the structure to ultimately align resources for maximum impact.



Charter: Adapting to a New Scale

Start by revisiting your organization's charter, which includes its scope, form of governance, and decision-making protocol. Some other characteristics related to charter include culture, how the organization approaches formal guidelines or rules, breadth of mandate, time horizon and focus on the present versus the past.

In examining your organization's charter before scaling, consider how your methods of decision-making as you scale might connect with founding ideals. Determine whether your governance structure is adaptable to the increased complexity that scaling brings. How will the increase in scale impact how your organization approaches formal guidelines, the breadth of its mandate, the time horizon, and its focus on the present versus the past? Take a look at your practices and any documentation, as funders who are considering changes in scale will need to examine and potentially revise the charter and other core documents to meet current social demands. By examining these aspects, you'll be well-prepared for the specific governance challenges that scaling entails.

Social Compact: Navigating the Complexities of Scaling

Another core element of the Philanthropy Framework is the social compact, which represents your philanthropic organization's reciprocal agreement with society. This agreement, often called a "license to operate," encompasses dimensions like accountability and legitimacy. When scaling, the challenges and complexities of maintaining this compact become more pronounced. Consider how your scaling efforts impact your social compact with society. Ensure that your organization remains transparent in its operations and aligns its direction of influence on society with the broader principles of the framework. As you scale, it becomes even more crucial to balance independence and interdependence while effectively managing risks, fostering a strong social compact based on legitimacy and accountability.

The Operating Model for Scaling

Another foundational aspect that requires careful consideration is your operating model, which defines how your philanthropic strategy is implemented. When scaling, it becomes even more critical to align this model with your expanded vision and resources.

Resourcing: Scaling your philanthropy involves an increased demand for resources, and how you allocate and acquire these resources is a crucial element of your operating model. Consider whether your resourcing strategy aligns with the scalable nature of your scaling event. You might need to acquire additional resources, either by building internal capacity or acquiring external assets, to meet the demands of your expanded philanthropic efforts. Assess your financial capacity, investment strategies, and revenue sources to ensure they align with the financial requirements of scaling.

Decision-making: The decision-making process is another essential aspect of your operating model that requires adaptation when scaling. Scaling often leads to a more complex and distributed decision-making environment. Therefore, it's crucial to evaluate whether your current decision-making structure, whether centralized or decentralized, is equipped to handle the larger scale of operations. Ensure that decision-making processes are not only efficient but also adaptable to the evolving needs and challenges that come with scaling.

Initiative and responsiveness: The scalability of your philanthropic operations also relates to your organization's approach to taking initiative and responding to external factors. When preparing for a scaling event, assess whether your organization leans more toward being proactive or responsive. Depending on your philanthropic goals and the nature of your scaling event, you may need to adjust your approach to strike the right balance between taking proactive steps to drive change and responding effectively to emerging opportunities or challenges.

Flexibility and discipline: Scalability often requires a delicate balance between creative flexibility and disciplined execution. Evaluate how your organization approaches this spectrum. Creativity allows for innovative solutions and adaptation, while discipline ensures consistency and accountability. When scaling, you may need to adjust your approach to maintain this balance, ensuring that you are both innovative and disciplined in executing your philanthropic strategy.

Programmatic scope: Consider whether the scope of your programming aligns with your scaling goals. Scaling might require a shift in your programming approach. You may need to decide whether to broaden your philanthropic reach across a wider range of initiatives or to deepen your engagement in specific areas. This decision is integral to your operating model and should be made in accordance with your scaling objectives.

Relationships and networking: Lastly, your approach to relationships and networking is crucial within the operating model. Assess whether your philanthropic organization is more networked or independent in its interactions with stakeholders and partners. As you scale, you may need to expand your network and establish new relationships to support your scaling efforts effectively.

By focusing on your operating model when preparing for a scaling event, your approach to resources, decision-making, initiative, flexibility, programming, and relationships is more likely to be well-aligned with the specific challenges and opportunities that scaling brings. This alignment is essential for a successful scaling event that enables you to maximize your philanthropic impact.

Timing for Assessing the Opportunities of Scaling

When it comes to scaling up philanthropic efforts, timing plays a crucial role. The timing for assessing the scaling opportunity can vary depending on the circumstances that trigger the influx of resources. While each situation is unique, a proactive, thoughtful, deliberate approach is generally advisable.

Predictable Events

In the case of predictable events, such as the sale of a business, it's prudent to begin planning as soon as it becomes evident that the event is likely to happen. This early planning ensures that philanthropic families have sufficient time to develop a strategic approach that aligns with their values and priorities. It also allows ample time for capacity-building, including the hiring of additional staff and the improvement of grantmaking processes and systems. Ideally, a two-year planning window can be considered a minimum to adequately develop a thoughtful approach for the increase in funds and build capacity to manage the increased giving, including hiring additional staff and improving their grantmaking processes and systems. The longer you have, however, the better able you will be to plan. This is particularly important for philanthropic structures that have a mandatory annual payout.

Unpredictable Events

In scenarios where the cash influx is expected from an unpredictable event, such as a bequest, it may be more challenging to predict the exact timing. Nevertheless, even in such cases, the family can initiate planning by developing a philanthropic strategy that reflects their core values and objectives. This initial planning lays the foundation for a smooth transition when the resources become available. It's crucial to be adaptable and ready to execute the plan as soon as the resources materialize.

Goal-Setting for the Increased Philanthropic Scale

When it comes to setting goals for philanthropy that will increase substantially in scale, there are distinct considerations that set it apart from regular goal-setting. Scaling goals are not just about expansion; they represent a bigger vision to reflect the increased scale and magnitude of your philanthropic efforts. This means that the goals you set should be ambitious and proportionate to the resources and impact you intend to achieve.

Goals and objectives will vary depending on the organization's mission, values, approach and specific scaling event, but might include:

- Increased geographic reach for a broader and more impactful footprint, for example, to reach underserved communities in new regions or countries.
- Diversification of focus areas for a more comprehensive approach to addressing societal challenges, such as adding education or health to programmatic areas.
- Higher grant amounts to increase the average grant amount awarded to nonprofit organizations for a deeper and more significant impact on the grantees.
- Multi-year funding instead of one-time grants to help increase stability and sustainability for recipient organizations.
- Capacity-building support to enhance grantee effectiveness for stronger and more capable nonprofit partners.
- Cross-sector collaborations to support a more holistic and synergistic approach to societal issues.
- Increased inclusivity with a focus on enhancing diversity and inclusion in grantmaking processes and leadership for a more equitable and representative philanthropic organization.
- Global expansion to focus on challenges like climate change or global health for an international presence and impact.

Preparing to Scale

Who to involve, and what role will they play?

Will the current leadership of your philanthropy lead the planning process? Does the scaling event mean that there will be board or other leadership changes? Do you want to engage the next generation in a leadership role? How will any professional staff be involved? Will you use consultants to help drive the discussion, or do it all in-house? These are just a few of the questions to address as you begin your planning process. Regardless of how you respond to the above, effective grantmaking today calls for deep, meaningful engagement with the communities and entities you partner with to effect change. The wisdom of the grantees, and those who are served by the grantees (when applicable) can only be received by including them in the discussions. Similarly, other grantmakers working in the same area can be excellent sources of information.

In the process of preparing to scale up your philanthropy, decisions regarding who to involve and their roles in the planning process are pivotal.

Leadership and planning process: One of the first critical considerations is determining the leadership of your scaling effort. Will the current leadership of your philanthropy take the helm in leading the planning process, or will the scaling event necessitate board or other leadership changes? It's also an opportune moment to contemplate involving the next generation in a leadership role, fostering intergenerational continuity in your philanthropic legacy.

Involving professional staff and consultants: Equally important is discerning the role of your professional staff in the planning process. Will they play a central role in shaping the scaling strategy, or will you consider the expertise of external consultants to drive the discussion? These choices carry implications for the direction and execution of your scaling plans.

Community and stakeholder engagement: Crucially, regardless of your approach to leadership and planning, the modern landscape of effective grantmaking demands deep engagement with the

communities and entities you partner with to effect change. Incorporating the wisdom of grantees and those they serve, when applicable, is essential. It ensures that your scaling efforts remain grounded in the needs and aspirations of the communities you seek to empower.

Peers: Similarly, peers in the philanthropic sector can serve as valuable sources of information and insights. Collaboration with other grantmakers working in the same field can lead to shared learning and a more comprehensive understanding of the challenges and opportunities in your chosen focus areas.

Board Changes for Effective Scaling

As philanthropy scales up, the composition of the board plays a crucial role in aligning the organization with its evolving mission and values. More and more, donors are looking at their governance models. This includes who is on the board, what roles they play, and how power is exercised. As giving scales up, the engagement of family members may need to change due to capacity, knowledge, or a desire to be more inclusive. Changes might include bringing in new board members who have different areas of expertise and lived experience, especially in the case of funders engaged in social justice or economic inclusion issues.

Key considerations in this context include enhancing diversity and representation and right-sizing board engagement. Scaling philanthropy offers an opportunity to bring new voices to the table, extending beyond family representation. Consider bringing on board members with diverse areas of expertise and lived experiences, particularly in areas such as social justice and economic inclusion. Diverse perspectives enrich decision-making and deepen the organization's understanding of the communities it serves.

The scale of philanthropic operations may necessitate adjustments in the board's role. With

a growing number of grants and an expanding scope, the board's engagement must align with the organization's needs. Ensure that the board's role remains effective, whether it involves grant-making decisions, strategic planning, or oversight. Right-sizing the board's engagement ensures that it complements the organization's scaling objectives. Early conversations, open spaces for honest dialogue, and the willingness to address difficult questions about board changes are fundamental to avoid negative dynamics that could hinder the implementation of scaling plans. The process of board transformation should be managed with sensitivity and personalized attention, depending on the relationships involved. This could involve external facilitators, trusted staff members, or family members who can address concerns based on the unique culture and character of the organization.

To successfully navigate scaling up your philanthropy, consider board composition, diversity, engagement, and governance changes as central to aligning your organization with its evolving mission and the communities it serves.

Navigating Internal Dynamics

Interpersonal dynamics among family members engaged in philanthropy during the scaling process can be both challenging and rewarding. In cases where scaling is prompted by a founder's death or other significant events, adjustments to the organization's charter itself may be required. These changes can have profound implications for governance and necessitate careful discussions among stakeholders.

Open communication is paramount in these cases, as it encourages family members to express their thoughts, concerns, and expectations openly. Establishing a safe space for discussions fosters a deeper understanding and alignment among family members. It's also essential to address potential control issues, feelings of exclusion, or misalignments within the family. The process of

adapting the governance model should be given adequate time for preparation and socialization, even if there's a sense of urgency. This may involve consultations with external experts, consultants, or dedicated board champions who guide discussions on impending changes and their alignment with the philanthropic mission.

A shared vision is equally important. Ensuring that all family members have a common understanding of the scaling goals, the desired impact, and the legacy they aim to leave through philanthropy acts as a unifying force. It keeps family members motivated and aligned throughout the scaling journey.

Addressing conflicts constructively is also crucial. Anticipate potential disputes and establish a clear process for resolution, whether it involves a designated mediator or a structured conflict resolution approach. This proactive approach prevents conflicts from becoming barriers to successful scaling.

In cases where multiple generations are involved, plan for smooth transitions in leadership and responsibilities. Provide opportunities for the next generation to engage meaningfully in the scaling process and take on increased roles as the philanthropy grows.

Building and maintaining trust among family members is a cornerstone of strong relationships within a philanthropic family. Invest in trust-building efforts and establish clear mechanisms for accountability, roles, responsibilities, and expectations to prevent misunderstandings and conflicts. These efforts collectively contribute to a harmonious and productive family engagement in the scaling process, allowing the philanthropic family to harness their collective strengths and navigate the complexities of scaling effectively.

Family and board alignment is crucial, whether or not the board is primarily family members. It's essential to establish clear roles and responsibilities for both

the board, family, and staff members involved in the scaling process. Defining these roles ensures that the unique contributions of each group are well-understood and effectively harnessed.

Staffing: Changing Roles and Responsibilities

Changes in scale may bring new staff, shifts in programmatic focus, increased workloads, adding new grantees, letting other grantees go, and adjusting the grantmaking and reporting processes. In most cases, the intention is to make these shifts in service of the mission and achieving impact in a deeper way. But the impacts of this—both in terms of capacity and organizational culture—on the people who make the work happen must be central in the planning.

Sharing decisions, inviting feedback, and keeping staff informed of changes will help head off any misinterpretations. Likewise, offering staff support in the ability to manage change, through consultants or coaching, is a wonderful support to provide. Funders who have gone through this process have learned that growth will lead to decentralization and accountability will shift more and more to program staff. Funders will need to consult with staff and respond with resources to help them handle growth and also understand and lead changes in scale and in focus.

While change is an inherent part of the philanthropic ecosystem, managing it with care is essential to nurture both the people involved and the desired outcomes. Staff members play a critical role in implementing the scaling strategy, and their buy-in, support, and empowerment are essential for achieving success in the scaling journey.

Keeping Grantees Informed and Engaged

Increasing the amount of funding available to a philanthropy is often based on a desire to better serve communities—but the change can nonetheless also be difficult for grantees. In recent years, change has been a constant for frontline communities and this has become a stress point for many NGO leaders and staff.

Words of Warning: Essentials for Effective Scaling Up

Scaling up a philanthropic organization requires a well-thought-out strategy to ensure that the organization can handle the growth effectively. Here are some essential considerations for scaling up:

- Take the time to define a clear programmatic strategy and scope. Consider winnowing down programs to increase impact by putting more resources into fewer projects.
- Ensure a shared culture and vision across the organization and have alignment within the family on expectations for any outside leadership hired. Consider senior HR leadership as an early hire to help preserve culture. Ensure that the organization has the necessary human resources to support its growth.
- Delegate some grantmaking decisions to staff and make intentional decisions about who needs to be involved in what decisions. Consider reducing the docket, as more money does not necessarily mean engaging with a bigger pool of grantees.
- Thoroughly review governance, as governing a large organization is different from governing a small organization.
- Take your time with growth, as a "slow-walking" approach can be effective for getting things right before incurring costs or distributing funds. Implement changes with training wheels on, such as starting with small pilots or focus groups on new approaches. Adjust your timeline as necessary.
- Consider leverage as you scale up and think about what strategies might attract other funders to make a significant impact if your work represents a drop in the ocean when considering the scale of the problem you are tackling.
- When possible, put resources that will soon go to philanthropy in a trust that is managed by the philanthropy's investment team so they are accustomed to the funds before they officially become part of the endowment.

As a foundation scales, its strategies and priorities may evolve. By maintaining open and transparent communication with grantees, the foundation can ensure that its partners are well-informed about these changes and continue to work closely in pursuit of shared goals.

Trust is a fundamental component of productive grantee relationships, and transparency is a key driver of trust. During periods of change or scaling, when uncertainties and concerns can run high, clear and open communication becomes the bedrock of trust-building between grantmakers and grantees.

Scaling, if not managed properly, can have unintended negative consequences on grantees. Clear communication allows grantmakers to identify any emerging issues promptly and take corrective actions to mitigate potential harm, safeguarding the welfare of grantee organizations. Clear communication also helps mitigate misinterpretations and misunderstandings. Scaling may introduce changes in funding levels, strategies, or processes that could lead to confusion. Open dialogue can clarify these changes and ensure that grantees have a full understanding of the evolving landscape.

Moreover, informed decision-making is essential for grantees. Access to comprehensive information about the foundation's scaling plans empowers grantees to make well-informed decisions about their own strategies and activities, ensuring that they can adapt and align their work with the shifting philanthropic landscape.

Feedback mechanisms and open communication channels provide grantees with a platform to share their experiences and insights, which is particularly important during periods of transition. This feedback can be invaluable for refining philanthropic strategies and improving grantee partnerships, ensuring that the scaling journey remains responsive and adaptive. Furthermore, keeping grantees informed empowers them to advocate for their needs, address challenges, and contribute to decision-making processes. It ensures that their voices are heard and considered in the scaling journey, fostering a sense of ownership and partnership.

Effective communication with grantees during scaling is not just a best practice; it is an essential element of successful philanthropy. It ensures that the scaling process is collaborative, adaptive, and attuned to the needs and aspirations of the communities and organizations being served, ultimately enhancing the impact of philanthropic efforts

Scaling up is an opportunity to redefine and refocus. It means reaching a place where you can engage in high-quality work without undue strain by ensuring you have the right leadership and staff, and that any new resources are optimized and integrated into your culture, purpose and operating model.