

# Resonance in a Stakeholder Ecology: Working Effectively with Intermediaries

Summary of study for the Oak Foundation

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# Executive Summary

One way that donors attempt to deal with an increasingly complex and ambitious agenda for change is to work with intermediary organizations. Intermediaries can complement the processes and leverage the resources of funders. Ultimately, they can help increase philanthropic impact, especially in complex and dynamic settings. As such **intermediaries are gaining in size and strategic importance.**

In practice, intermediaries can fulfil many, often overlapping, functions ranging from rather straightforward arrangements with a narrow scope to highly complex structures with a broad scope. Thus, donors face a wide range of strategic options and organizational choices when working with intermediaries.

The **goal of this study** is to identify key factors of success and practical processes that enable funders to engage effectively with intermediaries. It does this primarily by: (1) drawing on philanthropic and management literature; (2) reviewing evaluations and case studies of intermediaries; and (3) interviewing and surveying donor and intermediary experts. This study is part of a learning process at the Oak Foundation and provides an external view to aid Oak in the development of its thinking. The author is responsible for the final content of this report as the methodology and synthesis did not allow to reflect all inputs gathered in the process.

This study concludes that it is essential to:

- 1) **Understand and respond to the complex relationships of various stakeholders.** Relationships between funders, intermediaries and grantees, as well as other key stakeholders, can be complex and interdependent. They can vary and overlap in a field. Therefore, one needs to develop a deep understanding of the dynamics between stakeholders and within networks. In this report, we refer to this as the “stakeholder ecology”.
- 2) **Manage the tensions that funders and intermediaries experience.** When working with intermediaries, there are tensions driven by issues of overhead cost, accountability, competition, power dynamics, organizational nimbleness, group think and organizational health from funders via intermediaries to grantees. Resolving these connected tensions is a continuous leadership challenge.
- 3) **Have clarity when choosing the right type of intermediary approach.** There are many different types of intermediaries. Therefore, it is critical to match a clear purpose with the right type of intermediary relationship to minimize demands on leadership and administration. Thus, one needs to have a clear sense of the purpose, leadership, capabilities and governance of an intermediary in a stakeholder ecology and over the lifetime of initiatives.
- 4) **Develop effective strategies to manage change and relationships between funders and intermediaries.** This study points at the need for pragmatic coping-strategies to deal with the coordination and systemic impact of complex change agendas involving intermediaries. Mastering such coping-strategies is more an art than a science. Fortunately, one can draw on a wide range of experiences and

insights from the philanthropic literature, case studies, evaluations and academic and management literature when looking for good practices.

- 5) **Find synergies or better “resonance” among different actors, strategies, processes and structures.** Working effectively with intermediaries calls for a “resonance” among the different actors, strategies, processes and structures in the stakeholder ecology. This resonance needs to be established vertically from funder via intermediary to sub-grantees and horizontally among funders as most intermediaries also act as a vehicle for funder cooperation. The notion of resonance is operationalized in this study with the help of frameworks and checklists that combine organizational and strategic questions.

This study proposes the following tools:

- 1) A **four-dimensional taxonomy of intermediaries** which highlights: (1) the purpose; (2) internal attributes; (3) relationship attributes; and (4) leadership of the intermediary, as well as practical indicators for assessing each dimension.
- 2) **Five key factors of success** when working with intermediaries. This includes:
  - **Shared language and mapping of the field.** The mapping of existing stakeholders, funding streams, activities and organizational capacities is a necessary and useful step towards a shared language and to respond to complex relationships and tensions. This should precede the development of specific strategies.
  - **Aligned assumptions on change in the stakeholder ecology.** Co-development of strategies is usually the most efficient and effective way of ensuring alignment.
  - **Clear leadership and purpose of intermediary.** From a funder point of view, it is useful to pay special attention to three major drivers of complexity when choosing an intermediary: (1) the leadership aspiration or desired influence of the funder(s); (2) the breadth of the stakeholder ecology; and (3) the maturity of the civil society field.
  - **Good governance, clear roles and layered division of work.** Complementary roles are critical; redundancy needs to be avoided; reporting and information flows should foster learning in the stakeholder ecology or be decision-oriented.
  - **Continuous investment in trust and learning.** The need to build trust, which then enables more comprehensive delegation, applies to funder organizations, intermediaries and grantees.

The main report proposes a 5-step process that highlights the issues to consider when working with intermediaries at each step. This includes: (1) mapping the field; (2) defining the purpose of the intermediary; (3) defining legal form and good governance; (4) kick-starting a relationship with or incubating an intermediary; and (5) nurturing relationships and supporting learning. When applying this process, the discussion with trustees, other funders, intermediaries and grantees needs to reflect the different contexts and intentions for working with intermediaries.

## Introduction

One way that donors attempt to deal with an increasingly complex and ambitious agenda for change is to work with intermediary organizations. Intermediaries can complement the processes and leverage the resources of funders. Ultimately, they can help increase philanthropic impact, especially in complex and dynamic settings. As such **intermediaries are gaining in size and strategic importance.**

An intermediary is defined as “an organization that is funded by one or more foundations that meets at least one of the three criteria below:

1. funds a grantee or grantees directly,
2. performs a function so important that, absent the intermediary, the funder would have to perform itself,
3. relates to grantees or a field of interest in any way that makes it act as a grant-making advisor”. (Keton et al., 2017)

This definition of intermediary covers many purposes of intermediaries:

- “retailing” of funding (i.e., breaking down a large grant into smaller grants and provide grant management and grantee support),
- building up capacity in an organization, a field or a movement,
- developing and executing complex strategies based on local political understanding, thematic expertise, and grantee access,
- aligning strategies across funders and grantees, and
- pooling funding across funders.

In practice, these purposes can overlap in many combinations, ranging from rather straightforward intermediaries with a narrow scope to highly complex intermediaries with a broad scope.

To better understand how to work effectively with intermediaries in different contexts the Oak Foundation asked the author to synthesize key factors of success based on interviews with Oak staff and trustees and leaders of intermediaries and a review of evaluations of intermediaries, philanthropic management literature and academic studies on organizational effectiveness in networks more generally. In addition, the key notions of this report were validated in a survey of staff of donors and intermediaries and in a workshop on 25-26 September 2017 at the Oak foundation which brought together about 50 Oak staff and leaders from Oak intermediaries.

Throughout the report, a “stakeholder ecology” perspective is taken to explicitly reflect the interdependency of multiple funders, intermediaries and grantees when answering the above questions. A taxonomy of intermediaries is proposed along the four dimensions of purpose, internal attributes, relationship attributes and leadership of the intermediary. Given the wide range of differing purposes for working with intermediaries it is critical to match a clear purpose with the right type of and relationship with an intermediary and to recognize that with different purposes and types of intermediaries come different demands on the leadership and administration of the intermediary and at funder organizations.

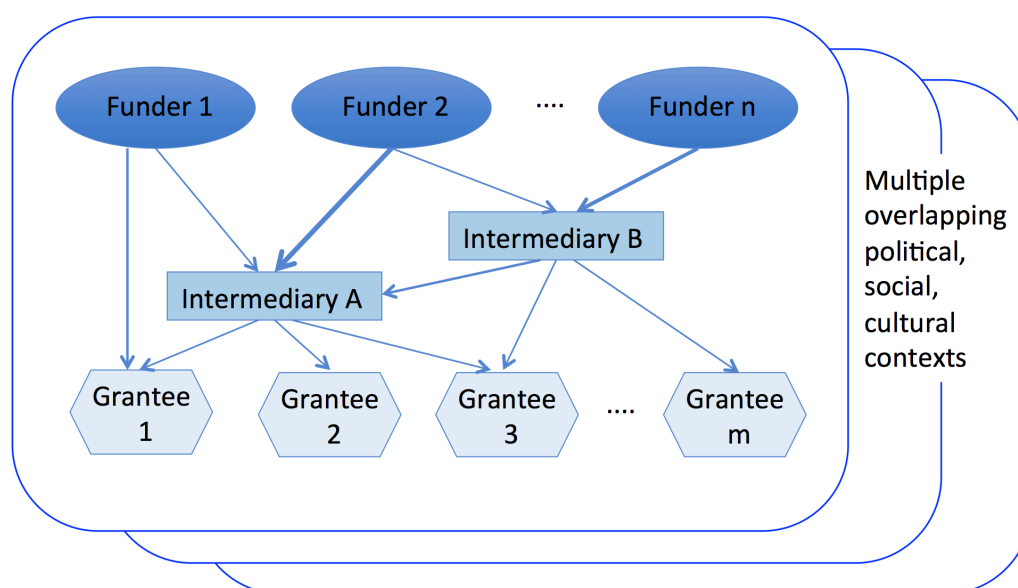
Working with intermediaries is complicated by tensions that are driven by issues of overhead cost, accountability, competition, power dynamics, organizational nimbleness, group think and organizational health along the value chain from funders via intermediaries to grantees. These tensions tend to be reflexive and finding the right balance is a continuous leadership challenge in the stakeholder ecology. The academic and management literature provides helpful lessons in the form of coping strategies that can be applied to help resolve these tensions.

The recommendations for funders are condensed into a 5-step process that highlights at each step issues to consider when working with intermediaries. When applying this process, the discussion with trustees, other funders and grantees needs to reflect the different contexts and intentions for working with an intermediary. It is of essence that a “resonance” across the stakeholder ecology can be established where the resources and leadership along the value chain are complementary rather than redundant or competing. Capturing this resonance across the stakeholder ecology with the help of an explicit contingency theory and measures of progress is as much a strategic as an organizational design and human resource development challenge.

## A taxonomy of types of intermediaries

### Intermediaries as part of a stakeholder ecology

Intermediaries are part of a stakeholder ecology as illustrated by the following chart.



**Figure 1:** Illustration of a stakeholder ecology involving intermediaries

A stakeholder ecology involving intermediaries tends to be complex:

- Usually multiple funders of different sizes, from philanthropy, industry or government, with their own specific objectives and theories of change may fund an intermediary calling for different interaction and reporting formats. Some funders may have staffing limitations; others may aspire to an operational leadership in the field. This creates a major alignment challenge among funders. Without good

alignment, the intermediary will have to maintain “multiple realities” for different funders.

- Relationships between intermediaries are complicated by funding dependencies or by competition for funding from the same funder. “Leverage” of funding may take the form of aligned funding where a new funder of a theme decides to fund a grantee directly but in a complementary or supporting way to an existing strategy. If this frees up funds or increases the success probability of an initiative such aligned funding is as useful as funding that flows directly through the books of an intermediary. However, current reporting systems tend not to show such leverage via alignment despite its importance.
- Grantees usually receive funding from multiple sources, sometimes involving funding directly from a funder and at the same time indirectly via an intermediary. This need not be a bad practice per se and will often arise from unsynchronized decision-making cycles or different desires for control at different organizations. Such complex funding flows call for a cumulative tracking of funding that extends to the stakeholder ecology beyond the bilateral grant tracking. There is mostly a desire by grantees to get direct access to funders as grantees also see themselves in a competition for funding.
- Intermediaries often have a privileged overview of a field as measured by the number of funding relationships connecting an intermediary with stakeholders. Thus, intermediaries are often – or should be - accountable to many more and more diverse stakeholders than traditional philanthropies. The relevant integration of these diverse perspectives is both an opportunity and major challenge for intermediaries as surfaced in the interviews and discussed in detail later in this report.
- A stakeholder ecology comprises political, social and cultural contexts which may be different for different stakeholders. For example, a climate change grantee or intermediary operating in India may view government cooperation or opposition very differently from a funder used to operating in a Western democracy with direct implications for strategies or pragmatic choices. Similarly, complex human rights challenges always need to be viewed through local lenses in order to develop viable strategies. That is why a full view of a stakeholder ecology should not only map out financial flows and dependency but also information flows, and strategic and cultural assumptions, value choices, and political contexts of stakeholders.
- The boundaries of a stakeholder ecology are never well-defined as social change mostly happens in indirect and systemic ways. For example, the climate change and the human rights stakeholder ecologies overlap as indigenous people in Alaska are part of both ecologies in complex ways being affected by climate change, as actors asserting their rights, or as job seekers in the Arctic oil and gas industry. As the human rights and the environment stakeholders tend to operate in different ways, with different time frames and approaches, it is easy to see how such overlaps may create confusion or even inconsistent signals. More generally, given the fuzzy boundaries of stakeholder ecologies the complexity increases as different ecologies command different levels of funding – and with funding tends to come a sense of direction or priorities. It should be noted, however, that theories of change may be different or even inconsistent across boundaries and nevertheless be aligned for tactical purposes.



These complex characteristics of a stakeholder ecology clearly point at the limitations of taking a transactional and linear view of intermediaries. Rather one needs to develop a deeper understanding of the *network quality and dynamics*, which then need to be reflected in the taxonomy and assessment of different intermediaries.

### Many different structural forms of intermediaries

Looking in more detail at different Oak intermediaries in the interviews and the evaluations revealed many forms of intermediaries with very different degrees of autonomy, maturity, dependence on Oak leadership and strategic complexity: Some intermediaries can best be interpreted as an extended workbench of a specific program with heavy dependence on strategic direction by the Oak program officer whereas other intermediaries have the capacity and autonomy to give strategic guidance to funders or even take on a political actor's role.

The large diversity of forms – both in terms of legal structure and financial set-up - that Oak is working with include Donor Advised Funds established by a group of funders, programs or new initiatives added to existing funder collaboration platforms or mature intermediaries, intermediaries with co-management or co-funding agreements with governments, non-endowed foundations as hybrid organizations for regional strategy development, regranteeing and operational actor roles, operational service centers/think tanks/convening platforms, and fiscal sponsors or agents that handle pass-through grants.

Intermediaries in different geographies operate in different jurisdictions, which have different compliance implications for types of possible re-granteeing, advocacy and taxes. Moreover, reputation risks in critical venues may lead to arms-length funding relationships with grantees via changing intermediaries or very large for-profit entities as fiscal sponsors. Hence, the legal form of the intermediary can have a significant impact on the function it may perform. The most stringent constraints apply whenever U.S. funders are involved in working with intermediaries with international funding flows.

The choice of legal forms of an intermediary is driven by the three critical variables which determine for a funder tax implications and compliance requirements with foundation laws in different regions:

1. *The nonprofit status of the grantee.* Note that charity is a legal status for an organization not a legal form or structure. Charity status will be additional to the basic legal form, which can take incorporated or unincorporated legal forms, which differ by country. Some legal forms and organizational types (e.g. community interest company and co-operatives) are incapable of being charities because they are designed to provide non-charitable benefits.
2. *The transparency of types of activities of grantees.* Note that the limitations of use of U.S. philanthropic funds when it comes to electioneering and lobbying also apply outside the U.S. Some similar although weaker restrictions apply to UK philanthropic funding. Grantees may be subject to additional constraints on activities or their governance that qualify for tax-exempt donations in different countries, which then set additional boundary conditions for the donor-intermediary contracts.



3. *The degree of control of the funder over the grant making.* From a legal point of view, it is especially important to look at the level of control by the funding foundation over the content and organization of a grant and the level of value-add and independence of the intermediary. With control over the sub-grants comes legal responsibility.

The reviewed literature about the legal and tax implications of the use of intermediaries tends to focus on the simple case of one funder supporting one intermediary to reach a certain purpose with one or more grantees. This perspective, however, misses out on strategic opportunities and larger risks that come with larger intermediaries combining funding sources and the dynamics of reputation in the new media world.

Larger intermediaries combine funding from multiple sources from multiple regions that come with different restrictions to deliver a complex strategy. This allows for an “internal balancing” of funding sources where an intermediary can allocate different funding sources to different activities in such a way that funding sources without restrictions are applied to critical activities like lobbying or political communications whereas funding sources with restrictions are applied to non-critical activities like research or convening. Such a balancing of funding sources is only legally compliant and without risk to the funding foundations if there exists proper documentation and reporting at the level of activities. Usually the grant level is too coarse to track these compliance issues as most grants cover more than one type of activity. It is imperative to be able to track the amount of funding that goes to different types of activities within a grant and then aggregate the funding at the level of the grantee by types of activity to be compliant with different restrictions of funding sources regarding advocacy and lobbying, expenditure responsibility, electioneering prohibition, and working with government officials.

#### Four dimensions to compare intermediaries

In light of the connecting roles of intermediaries in a stakeholder ecology four dimensions stand out when comparing intermediaries: (1) **purpose** of the intermediary, (2) **internal attributes** of the intermediary, (3) **relationship** attributes of the intermediary with regard to funders and grantees, and (4) **leadership quality** in the stakeholder ecology.

#### 1. Purpose and role of intermediary

The literature review and interviews have surfaced five main purposes of working with intermediaries which were validated in the survey.

- *“Retailing” funding from one funder for a given strategy*

An intermediary can break down a large funder grant into smaller grants and provide grant management and grantee support. From the funder perspective, looking for a partner that can retail funding is often motivated by staffing limitations, e.g. a fixed number of foundation staff may be stipulated in the foundation’s bylaws or articles of association. While at first glance efficiency gains for a donor from handling fewer, larger grants may appear obvious, the interviews have surfaced caveats. When a new intermediary needs to be set up or its operations call for improvements, the incubation effort may offset the efficiency gains for a number of years. Relevant staff turnover at a donor and at an intermediary can directly affect the expected efficiency gains.

From a grantee perspective, the retailing function of an intermediary is seen with some ambivalence. On the one hand, there is the acknowledgement that without intermediaries retailing funding, smaller and grassroots grantees would probably not have access to funding from major donors. On the other hand, there is a concern that intermediaries may undermine grassroots organizations as they monopolize access to large donors. This ambivalence is driven by the power dynamics tension that comes with hierarchical funding flows and which will be discussed later.

- *Building up capacity of an organization, a field or a movement*

The capacity building function of an intermediary was considered by the respondents of the survey as the most important purpose of intermediaries. Capacity building can take many forms: Trainings, communications support, fundraising support, reporting support, HR support (esp. in transitions of leadership at a grantee), convening, architecting of communities of practice and best practice exchanges, and support or incubation of movements were mentioned most often in the interviews. In many cases, the capacity building calls for rather operational roles at the intermediary, e.g. to provide political communications support to a field or to orchestrate the learning across grantees from different regions in different programs.

- *Developing and executing complex strategies based on local political understanding, thematic expertise, and grantee access*

From a funder perspective, the access of an intermediary to grantees, the local political understanding, thematic expertise and at times the ability to do lobbying work that funders themselves feel not positioned to do drive this purpose. Working with an intermediary may also allow a funder to share or outsource risk (at least in parts), create anonymity for international funders and reduce or overcome the burden of compliance with legal restrictions or the political barriers of direct grantmaking.

There was a wide consensus in the interviews that development of good strategies with the help of an intermediary depends to a significant extent on the intermediary's capability to involve grantees constructively in the strategy development. The notions of inclusiveness, participation, co-development of strategies or even human-centric design have all been mentioned in this context as important for guiding funders and intermediaries in their direction setting and their relationships with grantees. Where new movements or new civil society organizations need to be established, finding the right balance between listening and providing directional support and alignment is critical.

Intermediaries may not only execute complex strategies but also act as an operational or political actor. This creates a competitive tension with grantees and calls for a careful and conscious leadership at the intermediary, for example, to ensure that an intermediary's program officers do not unnecessarily displace grantees in public forums. A good rule of thumb is to view an operational role of an intermediary only as a last resort if no adequate capacity can be found or built up fast enough. Even if there are good reasons for an intermediary to take on an operational role the interviews suggest that one should think about these roles as "in

service to the field”. A good example is the political communications support network GSCC mentioned above which was established by the European Climate Foundation as a professional actor in the media field that also provides communication services and trainings to the global climate change community.

- *Aligning strategies across funders and grantees for joint advocacy, research, or policy work*

The alignment of strategies across funders and grantees is a continuous and often difficult challenge given the diversity of perspectives, histories and structural characteristics in the stakeholder ecology. The challenges for funders to cooperate is also a repeated topic in the philanthropic literature and many case studies point at difficulties in strengthening civil society that stem from a lack of cooperation. These difficulties often take the form of redundant work, “the reinvention of the wheel” or lack of complementarity where funds could have been spent more effectively if funders had aligned their strategies.

The importance of this purpose increases for intermediaries as their funder base is growing. Given their central role in a stakeholder ecology, intermediaries can facilitate this alignment with good processes and information architecture for convening stakeholders, sharing strategy ideas and best practices, preparing a deep dialogue on strategic assumptions.

- *Pooling funding across funders*

There are many structural options when it comes to pooling funds via an intermediary, e.g.

- Direct grants to existing foundations or grantee(s) (no separate coordinating mechanism),
- Direct grants to an existing intermediary where the intermediary is tasked with different levels of coordination aspiration,
- Agreements among funding foundations to pool or align funds in a consortium supported by an intermediary as secretariat (usually complemented by an assignment of roles, secretariat, mission statements, cooperation principles, etc.), or the
- Creation of a new legal entity that may allow different forms of participation of diverse groups of funders and NGOs through financial, in-kind or staff contributions.

While 80% of the respondents to the survey of Oak and intermediary staff conducted as part of this study consider the pooling of funding across funders an important purpose, there may be constraints at some funders limiting the type and scope of pooling. As mentioned before pooling funding in an intermediary from different funding sources with different constraints can allow for complex strategies including lobbying if the right tracking and compliance systems are in place.

## 2. Internal attributes of intermediary

Whether an intermediary can deliver on the funders’ expectations will depend on internal attributes of the organization. For the taxonomy the thematic scope, the functional scope and the maturity and organizational health of the intermediary have been identified as important internal attributes of the intermediary.

Internal Attributes	Measures/Indicators
Thematic scope	<ul style="list-style-type: none"> <li>– Geographic scope</li> <li>– Number of programs/themes</li> <li>– Range of cross-cutting themes</li> <li>– Complexity of theory of change</li> </ul>
Functional scope	<ul style="list-style-type: none"> <li>– Grant management, back office services, financial services</li> <li>– Capacity building services</li> <li>– Facilitation/Alignment services in the field</li> <li>– Strategy services</li> <li>– Political communications support</li> <li>– Operational and advocacy roles</li> </ul>
Maturity and health of organization	<ul style="list-style-type: none"> <li>– Quality of strategy</li> <li>– Explicit HR processes</li> <li>– Professional processes and tools for grant making, reporting, evaluation</li> <li>– Accountability of intermediary and error culture</li> </ul>

**Table 1: Important internal attributes of intermediaries**

It should be clear that these attributes are free of judgment. For example, a newly established intermediary cannot be expected to have the same professional processes and tools in place for grantmaking as a large, established intermediary that has been working in a field for decades. All the more, it is important to capture the differences in attributes in order to be able to assess whether an intermediary can deliver on the expectations and what types of funder support or incubation are necessary.

### 3. Attributes of relationships with funders and grantees

Due to the network effects in the stakeholder ecology the relationship attributes are another important dimension of the taxonomy. The following table summarizes key variables of the relationships between funders and intermediaries that funders can directly influence with their decisions and strategies.

Relationship Attributes	Measures/Indicators
Degree of autonomy given to intermediary	<ul style="list-style-type: none"> <li>– Core support</li> <li>– Earmarked program support</li> <li>– Earmarked project funding</li> </ul>
Length of funding commitment	<ul style="list-style-type: none"> <li>– Institutionalized support (&gt;3 years)</li> <li>– 2-3 years support</li> <li>– Annual support</li> <li>– Project based funding</li> </ul>
Contract characteristics	<ul style="list-style-type: none"> <li>– Transactional and closed</li> <li>– Strategic and adaptive</li> </ul>
Interaction styles	<ul style="list-style-type: none"> <li>– Directive, micro-management</li> <li>– Co-development, partnership</li> </ul>
Alignment on theory of change in relevant stakeholder ecology	<ul style="list-style-type: none"> <li>– Explicitness of theory of change</li> <li>– Quality of formats for substantive and open discourse on theories of change</li> </ul>
Quality of learning across boundaries	<ul style="list-style-type: none"> <li>– Technical trainings fixing skill deficits</li> <li>– Community of practice with action learning</li> <li>– Mentoring of future leaders</li> </ul>

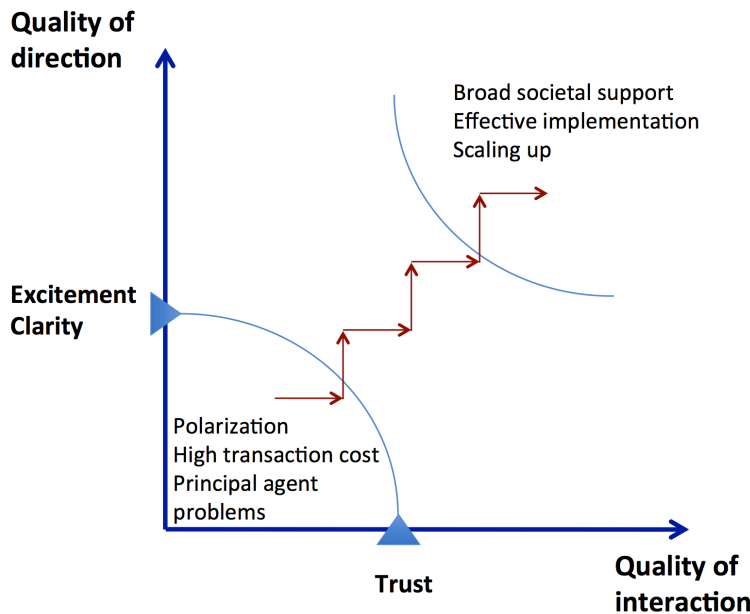
**Table 2: Relationship attributes of intermediaries in stakeholder ecology**

For an intermediary with multiple funders there may well be variances across funders in each relationship attribute. That is why it is important not to focus only on one bi-lateral relationship let alone one grant agreement when assessing these attributes. Ideally, a group of funders that supports a specific intermediary can find a way to align their views and expectations for the intermediary so that the transaction costs and variance of reporting formats can be minimized and stability can be maximized. The bigger the variance found in each attribute for an intermediary the more important it is for the intermediary to develop systems that can support multiple reporting and interaction formats with funders efficiently.

#### 4. Leadership quality in the stakeholder ecology

Because of its strong importance and given a certain hesitance to explicitly talk about persons in philanthropy the leadership quality of an intermediary has been elevated as a main dimension of the taxonomy. Even if the management literature and practical experiences are starkly clear about the importance of identifying and empowering good leaders, many philanthropic initiatives do not address the *personalized* dimension of good leadership explicitly enough. This reticence to discuss leaders and their profiles explicitly in the process of setting up initiatives is paradoxical as most principals admit that they bet in essence on ideas and convincing leaders who credibly promise to deliver on the ideas. Note that in corporations or in venture capital the explicit assessment of the available leader's or leadership team's capability is central to major investment decisions. This may go as far as requesting professional personality assessments of leaders as part of an investment process.

To operationalize the notion of leadership quality especially in a network the following *direction-interaction framework for organizational performance* is helpful.



**Figure 2: Organizational performance framework**

When working with this framework, one quickly learns that the two axes are reflexive, i.e. changes in one axis impact the other axis. Three fundamental dynamics are relevant for designing interfaces in the stakeholder ecology:

1. Trust across stakeholders cannot be taken for granted. It needs to be earned and can be lost – also among board members and with staff. New formats for interaction that build up trust in steps need to be designed.
2. Excitement is key in mobilizing the right groups of participants.
3. It is important to recognize that the trust and excitement thresholds usually can only be crossed in a sequence of iterative steps.

This framework can be extended with a third dimension for the ability of an organization to renew and adapt. A strong sense of renewal is created in an environment in which team members are energized because they feel they can take risks, innovate, learn from outside ideas, and achieve something that matters—often against the odds. (Scott, Meaney, 2017)

Due to the reflexivity of these dimensions the indicators often play out in all dimensions. For example, it is hard to develop good and courageous thought leadership if a leader is not open to deviant positions or critical feedback.

\* \* \*

This taxonomy can be used to profile intermediaries. At an aggregate level, intermediaries can now be compared and the implications of different profiles for the interface with the funder and the role of program officers can be discussed. The complexity of the tasks at hand in an intermediary depends first on the aspiration or scope of each purpose, e.g. in terms of thematic or geographic scope or budget size. As these different purposes often overlap in intermediaries, one always needs to look at the combination of purposes of an actual intermediary. Not all purposes need always be covered by an intermediary depending on the strategy and local context. Without this sense for the actual combinations of purposes of intermediaries there is the risk of comparing

“apples with oranges” which will create confusion and frustration. E.g. it makes little sense to benchmark a large intermediary that fundraises for a complex strategy and functions as a political actor in the field with a fiscal sponsor intermediary that is focused on executing a funder-defined strategy. Both examples may make perfect sense but will have very different structural and overhead cost characteristics. Note also that the maturity of an intermediary may change over time which should be reflected in the interface with this intermediary.

## Complications and tensions when working with intermediaries

The interviews and literature research have surfaced a number of critical challenges and tensions when working with intermediaries. Similar tensions can also be found in other contexts – corporate or political - where intermediaries play an important role. That is why it makes sense to take a broader look at the relevant academic and management literature for guidance on how to resolve these tensions.

### The overhead tension

The use of an intermediary implies additional overhead. The key question is what will drive accountability and clear value-add and avoid unproductive cascades of overhead.

In the interviews and comments in the survey, it was pointed out that some NGOs have experienced some funders criticizing them for too high an overhead number while at the same time other funders did not believe that they could perform their scope of activities with the reported overhead cost. Practitioners point out that the *current aggregate measures of overhead used by many funders to create average benchmarks can be misleading* as there do not exist robust rules for how to allocate costs between programs and overhead and we are missing an end-to-end perspective on the cost of the value-chain. However, it would be a non-trivial and very expensive task to create such common accounting rules and to monitor them with the help of auditors across philanthropy.

Transaction cost theory and coordination theory (Williamson 1981, Malone, Crowston 1990) suggest that there are hidden costs for a funder in working with an intermediary that are not reflected in the grant costs to an intermediary. Thus, it is worthwhile to establish a pragmatic value-chain accounting that captures the administration cost of all funders, intermediaries and grantees involved in an initiative and compares working with an intermediary to insourcing or full delegation.

### The accountability tension: Objectives, progress, measures

The challenge of creating accountability needs to be addressed in direct grantmaking as well as when working with intermediaries. In most cases the direction setting and reporting between grantees, intermediaries and funders are structured around objectives, which may or may not be further broken down into output-oriented key performance indicators depending on the funder’s thinking on accountability.

The interviews and survey comments have highlighted that the perception of this tension is heavily influenced by the approach taken to define objectives and measures. If specific objectives and measures are bought into by all stakeholders (e.g. as part of a co-development of strategy), tensions tend to be low. A top-down and engineering-



style approach to setting performance indicators is more likely to create tensions. Funders who have embraced such an approach usually want to stress measurability and action-orientation. However, practitioners point out that such *key performance indicators are a very malleable construct and can have unwanted side effects*. Not surprisingly many initiatives meet their key performance indicators without reaching the desired big picture outcome or deeper social change objective. This raises the question of what constitutes fit-for-purpose planning, contracting and reporting between intermediaries and funders. Here we can draw on lessons from strategic planning theory (Mintzberg 1994): *Funders should think twice before repeating the corporate mantra of the 1980's "you get what you measure"*. While good measurements are mostly essential for good execution, they usually come at a price of not looking enough at the full complexity of contexts. Thus, other variables that are hard to measure and systemic linkages often get lost although those may be critical for success especially in dynamic and complex contexts.

This points at the need to develop and document explicit theories of change that include factors of success that may be outside the control of the intermediary or grantees. Put differently, *we need maps or models of systemic linkages in complex contexts rather than relying on conventional output-related key performance indicators to create transparency and accountability on progress*. This becomes even more important as philanthropy engages in highly dynamic and complex contexts where there are a lot of hard to quantify “known unknowns” and “unknown unknowns” where one can only react after their emergence.

Finding good objectives, progress indicators and measures of success is complicated by lack of common measures like the market value of companies in the corporate world. That may explain why a lot of funders try to find a “special role” to play rather than take a big-picture view on high system performance and overarching objectives as was pointed out in the interviews. Such special roles tend to be more attractive and exciting than “maintenance investments” even if the latter may well be more important for the overall system performance.

### Attribution and competing brands tension

There can be a challenge of attribution when working with intermediaries. However, both interviews and survey show a very mixed picture with regard to this tension. A stakeholder ecology that is characterized by a focus on contribution rather than attribution and solidarity around shared principles tends to feel less of this tension. In the interviews, there was agreement that meaningful attribution tends to be elusive especially in complex change processes.

However, about a quarter of intermediary staff polled do feel a significant or large tension especially in connection with a perceived competition for a limited set of funds. Intermediaries can exacerbate the attribution and competition tension when they create public brands that displace grantee brands. Some intermediaries have explicitly avoided creating brands to reduce the tension. However, interviews have highlighted many cases where there is an unhealthy tendency to measure value and stature of players in the stakeholder ecology based on the size of their grant budgets which increases the tension.

The attribution tension is connected to the issue of reputation risk for stakeholders. In the modern media world, it should be clear that recourse to legal compliance is not enough to avert all reputation risk. Rather one needs to think through all kinds of scenarios where critical activities can create reputation risks for either funders or grantees. With regard to reputation risks of funders, one can increasingly expect opposing forces to follow the funding trails and to use that information to attack intermediaries and donors as the climate change field has experienced recently in India and in the US. Often different political agendas may be connected in grassroots organizations on the ground which may lead to unforeseen reputation risks. With regard to reputation risks of grantees, intermediaries may take on politically sensitive issues like sex worker rights or reproductive rights by publishing research or convening actors under the intermediary's brand. The international status and broad funding base of an intermediary can provide some cover for local grantees in such sensitive contexts.

Systems thinking theory (Senge 1990, Seddon 2008) provides helpful lessons in this context with its focus on the overall performance of the system instead of a competition for resources among actors. With the goal of complementarity of actors in mind funders and intermediaries should be aiming to share the success by “smartening-up rather than dumbing-down the front end”: People who deliver the services need the expertise required to identify and deal with the variety of local demands and thus can rightly point to major contributions. At the same time, there is the complementary need to create an order or orientation centrally that defines the learning and engagement space, which an intermediary is often well positioned to help create.

### Power dynamics tension

Any funding flow creates a hierarchical dependency and power dynamic. This creates a whole set of challenges with regard to candor and honest feedback, risk taking, and principal-agent dilemmas.

Intermediaries are “stuck in the middle” between funders and grantees. This creates the challenge of continually having to balance the intermediary's credibility as insiders while representing the resources of others. This challenge includes avoiding the risk of an intermediary “monopolizing” funding in a country with limited philanthropic resources to the point where grantees can no longer find matching funds for a particular cause or initiative as they are often asked to. There is also the power dynamic of funding collaborations where larger donors are sometimes seen to impose their rules and conditions in what is rarely – but commonly called – a funding partnership. This problem becomes especially acute when different agendas overlap.

Moreover, hierarchical power dynamics in philanthropy always carry the risk of creating self-referential strategies, grantee groups and even evaluation mechanisms that do not evolve over time. This risk affects program officers at donors and at intermediaries and needs to be countered by authentic communication and a culture and spaces for giving honest feedback and surfacing critical issues in all directions. As was pointed out in the interviews it is hard to have a strong disagreement on strategy with somebody who is financing your organization, which creates a tendency to accommodate rather than challenge funders. However, where such strong disagreements are resolved in a constructive dialogue better strategies usually are the result.

Agency theory deals with such power dynamics and can be applied to funder-intermediary relationships: Risk appetites of funders, intermediaries and grantees should be made explicit. This applies both to the readiness to incur reputation risks and the readiness to embark on risky strategies where the outcome is highly uncertain. Such an explicit discussion of risk appetite may also help avoid the tendency of grantees and intermediaries to focus on “wins” in their reporting. A focus only on the wins is indicative of a poor sense of reality and does not suggest that interesting and innovative strategies are being pursued. Funders and intermediaries need to develop good governance and incentives that help align the interests of principal and agent. This should go far beyond the definition of transactional objectives in a grant agreement. Alignment should be treated as a continuous process of maintaining a big picture that encompasses funder intent, intermediary expectations and grantee actions.

### The organizational nimbleness vs. efficiency tension

By extending the length of the value chain from funder to grantee with an intermediary organizational complexity increases. Organizational complexity tends to reduce nimbleness and flexibility. This raises the *challenge how to balance the need for nimbleness and flexibility with organizational efficiency of the stakeholder ecology*. An intermediary should be good at risk taking when opportunity arises but also deliver on budget, outcomes and reporting for agreed strategies. As one commentator put it succinctly: “The relationship between funder and intermediary dictates the story.” It is always helpful to start looking at this tension from a grantee’s view. An intermediary is doing a good job if the grantee experiences more nimbleness and responsiveness compared to a direct grant from a funder.

This is essentially a systems-architecting and organizational design challenge as there exist well-designed architectures that combine scale with nimbleness. The Internet architecture and the TCP/IP protocol are a great example for an elegant balance between scale and flexibility. The “art of systems architecting” (Maier, Rechtin 2000) highlights the importance of good, experience-based, decision-making rules, so-called heuristics, as the basis for coping strategies to deal with complexity. For example, experience tells us that it is easier to change the technical elements of a social system than the human ones. Thus, in social systems, *how* you do something may be more important than *what* you do. “Soft” and “hard” objectives need to be embraced in a good architecture. The best engineering solutions are not necessarily the best political solutions. If the politics don’t fly, the system never will. Note that all these heuristics have an organizational *and* a strategic connotation.

### Group-think tension

The evaluation of ClimateWorks Foundation has pointed at the risks of group thinking when there is no room for “positive deviants”. This risk is not specific to ClimateWorks as most initiatives rely for their effectiveness and their fundraising on a basic consensus on core ideas, values and memes in a cohesive group of stakeholders. However, such cohesion can become counterproductive when positions that are outside the group’s mainstream of ideas and convictions are automatically discarded or excluded from any consideration. Thus, there is an inherent tension in campaigns between needing a compelling theme that drives cohesion among those involved in the campaign and a dangerous arrogance that the group owns “the truth”. This a tension that manifests itself only in some contexts, e.g. where blind spots outside the mainstream

agenda are being ignored or where strategies are only developed “among friends” who already share many implicit assumptions.

Finding the right balance between openness and convictions in a culture is critical to open space for innovation and “productive messiness”. Finding the right balance becomes even more important if so-called wicked problems are being tackled. Wicked problems call for adaptive, flexible approaches that explicitly include unknowns, e.g. by inviting contrarian thinkers into the teams or by defining radical what-if scenarios. When dealing with wicked problems perfectly engineered solution proposals should be seen as a warning sign that political and social dynamics are being underestimated.

Moreover, intermediaries with a narrow mandate may attract significant shares of funding in their field, which can effectively lead to a narrowing of the overall field’s approaches. Funders need to encourage a culture of risk taking and openness at intermediaries and grantees. Such efforts, however, are only authentic if the funder organization’s culture reflects such an approach as well and if the grant contracts move beyond the transactional.

In essence finding the right balance in the stakeholder ecology is a central leadership challenge. Ronald Heifetz (1999, 2009) and Robert Kegan (1990, 2009) have provided good explanations of the modern leadership challenges based on development psychology and extensive practical case studies. Funders and intermediaries should embrace Heifetz’ concept of adaptive leadership.

While an obvious insight, it is worth stressing that the leadership demands that come with higher aspiration are such that one needs experienced and senior leaders in key places. In finding the right leaders funders and intermediaries may want to think in terms of “servant leadership” or “leading from behind” given both the risks of unproductive competition and of dangerous group thinking in the stakeholder ecology. Encouraging positive deviants and challenges of implicit assumptions is critical.

### Organizational health and learning tension

The interviews have highlighted the need to have both sustainability in any campaign or movement via long-term funding and adaptability via the support of new ideas or critical moments. This is foremost a healthy tension if addressed with effective learning formats and healthy linchpin organizations. Intermediaries can help find this balance with the right leadership and funder support in place.

*Funders should include staff development in the field as an important lever.* This calls for a long-term view on organization building and strategic human resources (HR) processes. Such long-term views and corresponding soft and hard funding commitments allow attracting more senior talent to an initiative or organization. However, the seniority usually comes with higher cost attached.

The costs can be reduced over time by investing strategically in leadership talents in the field. Most current trainings and capacity building efforts, however, tend to be at the level of addressing basic skill deficits and do not yet qualify as a strategic HR development effort.

In this context, it is useful to look at learning theories as relevant references in the literature. Etienne Wenger's concept of action learning in communities of practice, which reflects his studies of learning and the development of mastery across centuries in guilds and professions, is most useful. (Wenger 2010) It contrasts with the emphasis on trainings as the main tool being used by philanthropy today to address skill and leadership deficits of intermediaries and grantees. It takes realism and courage to acknowledge that most of these deficits will not be solved by a sequence of 2-3 days of trainings in a meaningful timeframe.

Ideally one should think of the program staff at foundations and at intermediaries as a learning community as there is a lot of knowledge and experience that can be tapped into on all sides. That is why funders need to think beyond trainings to include mentoring, job rotations, joint site visits and platforms for action learning to address the skill and leadership deficits in the field and to leverage existing experience.

### Reflexivity of tensions and interventions

Note that these tensions are highly reflexive. Power dynamics affect group think, which shapes the language which gets enacted in objective and measures, which influences the organizational health and learning, which impacts on organizational nimbleness etc. Thus, efforts to resolve one tension always need to be thought through with regard to secondary effects and dependencies on other tensions.

Finally, with regard to tensions in the stakeholder ecology, the survey and interviews have surfaced a number of additional, practical tensions. These include the allocation of time spent with funders vs. grantees for an intermediary, the split of budgets between grantees and operational intermediaries, the slowness of stakeholder to agree, and cash-flow problems of grantees due to delays in channeling funding along the value chain. These practical tensions tend to be highly situation-specific and further complicate the leadership challenge when working effectively with intermediaries.

## Five key factors of success when working with intermediaries

Based on the review of frameworks and theories for organizational performance, the case studies and interviews five key factors of success for working with intermediaries effectively stand out.

### 1. Shared language and mapping of the field

A shared language between funders and intermediaries starts with the basics of documenting relevant funding streams and stakeholders in a common format, identifying related initiatives, and assessing organizational capacities in the field.

Developing a shared language and a mapping the field are not just organizational challenges but inherently strategic activities. The mapping of existing activities in a stakeholder ecology including a cross-boundary view is a necessary and useful step towards a shared language. This should precede the development of specific strategies if one wants to avoid re-inventing the wheel and to also acknowledge and appreciate existing work on the ground on most topics. The interviews have stressed that this is especially important when working with grantees across different cultural and political settings as grantees in local communities may feel that their work does not change

while having to “jump through” new program language. Funders and intermediaries need to avoid changing their favorite language or themes like fashion fads every year.

Important questions driving the mapping include:

- Which strategies in the thematic area and targeted field – directly related or indirectly related - have been employed in the past?
- Where are the gaps in the field in terms of capacity, capability or geographic scope?
- How ready is the field for a new strategy?
- Where are the dominant organizations and actors in terms of a political mapping of supporting and opposing forces/stakeholders?
- Where are synergies, redundancies or competition with other thematic areas? (e.g., political communications tend to be cross-thematic by nature; ideological anchors of strategies like market-based vs. state-driven approaches often create tensions)
- Where are maintenance investments or operating support necessary?
- Where can new funding make a difference?

The currently available mappings in most areas tend to be driven by data on funding flows as a natural starting point as those data are most readily available in the systems of funders. Yet, they may miss out on critical information not captured by the narrow lens provided by accessible funding data. Aggregating information across funders is a non-trivial exercise as funders use different accounting systems and reporting taxonomies. Thus, this always needs to be a curated exercise. Looking at a number of grants databases, funder dashboards and information support systems for funder collaborations leads to these common challenges:

- Lists of grants in a database and their linear representation in tables or charts do not capture the interdependencies between grants. It is often misleading to add funding commitments under one thematic heading only as many commitments pay into multiple areas or are crosscutting in nature.
- The databases tend to miss out on large parts of aligned, local funding. To capture the alignment of funding across different funders, themes and geographies one needs to add additional tagging information to grants. Agreeing on such multi-dimensional classification systems is a major effort, which often meets resistance from grantees who think that they already suffer from reporting overload.
- If one funder shows a total of fully accrued multi-year grant in the first year as a commitment while another funder shows only the annual pay-out as a commitment, simply adding the two numbers into a given year’s funding total for the field is misleading. The cash flow from the aggregate funding commitments for individual intermediaries and grantees should be calculated as this is the most critical variable for grantees and their organizational health.
- Impact assessments should be linked to the financial commitment dashboards but there are fundamental data generation problems: Reliable linkages rest on robust assessment and review processes that are often not in place. Moreover, statistics on outputs and outcomes from grants often miss out on critical variables and changes in the context. That is why mappings of the field should be anchored in systems models of change that explicitly identify key variables in the cultural, social, economic and political contexts.



- There is sometimes a reluctance to embrace qualitative data, which leads to excessive reliance on quantitative data even if their importance is often questionable from a systemic point of view. The most important variables in complex system can often only be assessed with judgment calls rather than with quantitative data gathering.
- There is a tension between top-down taxonomies for aggregating data and bottom-up definitions and interpretations of available data elements. Finding the right balance between top-down requests for data and hard-to-compare bottom-up data is a big challenge. Measures that can be applied across different themes will have to be at a meta-level, e.g. assessing the quality of alignment in a field, the quality of political discourse, or the ability to adapt to changes in the political context. While potentially very insightful such meta-level measures are often missing a robust operationalization.

Finally, a good map needs to be dynamic in the sense that it is able to incorporate changes in the landscape over time. From a technical point of view this calls for open architectures of mapping systems that allow to add new categories and to adapt the underlying ontology that drives the data collection. A big advantage of an open architecture is that it naturally encourages more participative processes of map creation in a field. However, it is important to note that an effective open architecture still needs either one or a small team of architects that can guarantee the integrity and quality of the mapping. Metaphorically speaking, a good map calls for at least someone on the balcony with a good overview of the dance floor. In many cases intermediaries are well positioned to assume this role of a balcony player given their many connections in the stakeholder ecology, but they may lack the technical tools and resources to take ownership for maintaining a dynamic map of a field.

## 2. Aligned assumptions on change in the stakeholder ecology

Co-development of strategies was stressed in the interviews as usually the most efficient and effective way of ensuring alignment among funders, intermediaries and grantees. Good strategy development thus always should start by listening to the field and by making values, cultural and political contexts, systemic dependencies, trade-offs and desired outcomes explicit among funders, intermediaries and grantees. The explicitness of such deeper assumptions is critical for true alignment and strategic partnerships. Yet, the interviews have highlighted the difficulties in talking about fundamental implicit assumptions, e.g. the role of capitalism and economic growth in relation to the climate change agenda.

The alignment of assumptions takes a lot of work by program officers and trustees. A high up-front investment into alignment at multiple levels of situation analysis, theory of change, strategies, tactics and values will pay off over the lifecycle of an initiative. It is important to note that such a high investment into alignment will usually also lead to trust-based and robust relationships with other stakeholders in the ecology.

Key questions to address include:

- What is the expected length of the change process – not just of the first grant? (It should be clear that complex strategies and capacity and movement building aspirations in a field invariably extend beyond a 3-year horizon.



Especially if new organizations need to be built, a minimum horizon of 5-6 years should be defined and agreed on among funders to be able to hire the right talent with a realistic set of expectations for the organization building process.)

- What are good milestone outcomes after a third of, two-thirds of, the total expected length of the change process?
- What are exit scenarios or triggers for ending a funding commitment?
- What are potential material and reputational risks?

In this context expectations towards intermediaries in fundraising are an interesting specific issue. However, in many cases it is the funder-level peer dialogue that provides the most effective access to new funding. When setting expectations of fundraising by intermediaries this dynamic should be properly reflected to avoid situations where new fundraising turns into zero-sum redistribution of already committed funding among a group of existing funders.

### 3. Clear leadership and purpose of intermediary

A strategy and theory of change needs to be anchored in actual capabilities of the intermediary and the field in relation to the aspiration of the strategy. Most importantly the ambition level of a strategy and the leadership capacity and capabilities at the intermediary need to match.

The following questions need to be answered:

- Who is able to provide the necessary thought leadership *in person*? Does this person not only have the skills but also the necessary free time?
- Who is seen as a leader in the field who can credibly facilitate alignment of the stakeholders along the value-chain from funders to sub-grantees?
- Does this leader have adequate support structures (staff, systems, processes etc.)?
- If an ideal leader cannot yet be identified, are there candidates who could be moved quickly into such a leadership role?

It makes sense to include in the assessment of leadership capacity leaders across the whole field and not only at intermediaries or funders. If the leadership has been clearly located early on, the purpose and mission of the intermediary can best be co-developed together with the identified leader. Some interviewees have stressed that developing a strategy on paper with consultants without the leaders involved who will be accountable for the delivery is a suboptimal approach with higher implementation risks. Others have highlighted that consultants are often the quickest way to get an initial mapping of the field done.

### 4. Good governance, clear roles and layered division of work

Good governance, clear roles and layered division of work are always key in any organization: Complementary roles are critical; redundancy needs to be avoided; reporting and information flows should foster learning in the stakeholder ecology and be decision-oriented.

From a funder's point of view, three major drivers of complexity deserve special attention when choosing a type and governance of an intermediary: (1) the leadership aspiration or desired influence of the funder(s), (2) the breadth of the stakeholder ecology, (3) the maturity of the civil society field.

Key questions to be answered when defining legal form and good governance then include:

- To what extent do individual donors want to or should be involved in determining how funds are regranted?
- What is the relationship between the donor and the ultimate grant recipient?
- Does the intermediary encourage or facilitate direct contact and significant partnerships?
- What are the decision rights in a multi-donor setting? Is there funder representation in the intermediary board? What are voting rules? How are grantee organizations and projects identified?
- What type of due diligence will be undertaken by whom?
- How does the degree of necessary control change over time and how does the governance and reporting reflect these changes?
- What options for the legal form are available in the local context?

With more complex strategies and with higher strategic aspirations come capacity constraints unless there is effective delegation. This affects trustees as much as program officers. Finding the right balance over time between driving a strategy and letting go so that others can take on more responsibility is always a time and context dependent, difficult challenge. In the interviews the need for courage to let go, putting trust in people and relying on local intelligence was emphasized.

Membership of donor representatives in boards of intermediaries is a particularly useful way to ensure that there exists a shared big picture alignment at all times. Program officers at funders or at intermediaries should not micro-manage grants except for emergency cases like a breakdown of a relationship or an unforeseen leadership change at a grantee.

Depending on the maturity of the field and a theme a lifecycle approach may be appropriate in building capacity where program officers at funders start out with a rather operational role as an incubator which will gradually move into a more complementary, supervisory role as intermediaries and grantees can take on more responsibility.

## 5. Continuous investment in trust and learning

The need to build trust, which then enables more comprehensive delegation, applies both within a funder organization and at the interface to intermediaries and grantees. Trust needs to be earned. Ensuring that the right experts and stakeholders are involved at the right point in time (e.g., by bringing financial staff expertise early into the process of setting up new contracts or relationships and not at the end of the process) can help ensure that the necessary boundary conditions and transparency are in place.

Interviewees have stressed repeatedly that the continuous investment in learning presents a challenge given competing demands on time for program officers. The short-term new grant recommendation pressures can leave little time for learning especially

across intra- and inter-organizational boundaries. A phase of intense support and relationship building at the start of a new initiative with an intermediary is time well invested. This applies not only to the incubation of a new intermediary but also to kick-starting the relationship with an existing intermediary. While initial intensity in the interactions with an intermediary tends to decline after the signing of a grant contract, it is a good practice to keep up a high intensity of interactions for at least a kick-off phase of 3-6 months where mutual expectations can be calibrated, where the common language and goals get translated into reporting formats, where personal interactions facilitate learning and coaching at both the funder and the intermediary. Obviously, the time and effort will depend on the size and importance of the intermediary.

In complex stakeholder ecologies, it helps to design platforms that accelerate the building of trust among many partners. Framing the platforms around learning opportunities and communities of practice is usually productive as funders and intermediaries and grantees can bring different capabilities and perspectives to the table. Such communities of practice and the associated learning platforms call for ongoing operating or core support over long periods of time. Formative evaluations, i.e. ongoing evaluation support and reflection during an initiative in place of an ex-post analysis of the performance of an initiative, can be a useful element of such learning platforms.

However, it is often difficult to find the right formative evaluators that have the necessary content skills and are trusted by funders and intermediaries. Today intermediaries tend to be evaluated in a bottom-up manner by most funders where commissioned evaluators choose evaluations formats and methodologies according to their preferences. The result is that the outcomes from the evaluations are almost impossible to compare or to calibrate. There is not a common set of formats, questions, data point definitions that could be used across programs or even within most programs. A common set of questions and data requests to evaluators and some dashboard data generation guidance could lead to an easier aggregation of insights in cross-program or funder-collaboration storylines.

Finally, there is one caveat that needs to be stressed. While transparency is in principle desirable and valuable for cooperation among funders, any integrated view will also be at risk of becoming public. This may not be a problem in most areas of philanthropic engagement. In fact, the legitimacy that comes with transparency is an important benefit for a foundation. However, there are many political strategies where access to an integrated and systemic view of the theory of change and funding commitments would be useful for opponents of the funders' strategy. In times of widespread security concerns and sophisticated hacking, information sharing and learning platform architectures need to reflect these risks possibly at the expense of some transparency.

## Conclusion: Aiming for resonance

The notion of “resonance” in a stakeholder ecology may illustrate how the above key factors of success can lead to effective cooperation in the stakeholder ecology. The German sociologist Hartmut Rosa has developed an impressive sociology of world relationships based on the notion of resonance, which is applicable to addressing the challenges of working effectively with intermediaries. (Rosa, 2016)

Resonance (from Latin *resonare*, 'resound') can be observed in musical instruments, e.g., when strings start to vibrate and sound without direct excitation by the player. The physics explanation is that a vibrating system or external force can drive another system to oscillate with greater amplitude at specific frequencies. Resonance occurs when a system is able to store and easily transfer energy between two or more different storage modes (such as kinetic energy and potential energy in the case of a simple pendulum). These characteristics of resonance can be illustrated with a simple experiment: If we put two metronomes that are ticking with slightly different tempi on a surface, that cannot swing (like a stone table), they continue their beats independent of each other. The faster metronome will catch up with the slower metronome until there is moment of synchronicity, but then the pendulums will again get out of sync. However, if we put the metronomes on an elastic surface that can swing (like a thin board placed on two empty cans), we create a “resonance space”. The board and the cans will start moving back and forth slightly and after a short time the two metronomes will be moving in sync. (<https://youtu.be/i7r113hPido>)

Let us apply this physical-musical metaphor of resonance to relationships in the stakeholder ecology. For resonance to occur the stakeholders have on the one hand to be open for a relationship; they must be able and willing to listen to each other. Resonance cannot occur if one of the actors is rigid and will not listen to feedback from the other actor. On the other hand, resonance calls for an own voice of an actor that allows the actor to “swing with her own frequency”. Both the funder’s and the grantee’s voices will lose contour and depth if they are only echoes. The ability and willingness to dissent, not blind or uncritical agreements are prerequisites for resonance in relationships. Translating Hartmut Rosa: “A response can only be made to a counterpart, who is not completely assimilated or appropriated, who remains in toto foreign to us and unavailable. Resonance is the (momentary) appearance, the lighting up of a connection to a source of strong values in a predominantly silent and often repulsive world.”<sup>1</sup>

Resonance (already etymologically) is not just harmony, nor consistency or consonance, but rather a process of interactions, responses, and feedback. Thus, each actor needs to find a balance between openness and closure or an own voice. More specifically a grantee should not give up her own voice in deference to a funder’s wishes. Similarly, it does not make sense for a funder to accept a grantee’s proposals without deeper questioning of the underlying assumptions or simply follow a bottom-up process in the field uncritically. Moreover, a transactional perspective on stakeholder relations driven by a desire for control tends to undermine the open and informal interchanges necessary for effective resonance.

Aiming for resonance across the stakeholder ecology implies that resonance needs to be established vertically from funder via intermediary to sub-grantees and horizon-

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<sup>1</sup> “Eine Antwortbeziehung lässt sich nur zu einem Gegenüber herstellen, das nicht vollständig anverwandelt oder angeeignet ist, das uns im Ganzen fremd und unverfügbar bleibt. Resonanz ist das (momenthafte) Aufscheinen, das Aufleuchten einer Verbindung zu einer Quelle starker Wertungen in einer überwiegend schweigenden und oft auch repulsiven Welt.“ (Rosa, 2016, Kindle-Edition Location 5400)

tally among funders as intermediaries act as a vehicle for funder cooperation. If there is a cacophony of signals and expectations from funders towards a field, it is hard to establish a resonance across the stakeholder ecology. Note that metronome speeds in the experiment must not be too far apart for the metronome resonance experiment to work. This points at the importance of funder alignment with the help of funder tables or intermediaries. It is also important to note that the role of an actor can only be determined against the background of the world into which it is placed and to which it relates. In this sense, self-relations and world-relations cannot be separated which makes it critical to analyze and understand the cultural, sociological, political and economic contexts as part of the alignment challenge and a contingency theory for resonance in a specific stakeholder ecology.

We may think of an effective intermediary as the connecting surface between donors and grantees, which has to be elastic and responsive to enable resonance. Analyzing and understanding the context for and the dynamics of resonance in a stakeholder ecology can help master the leadership challenges of working effectively as an intermediary and help define the practical boundaries for an initiative or field.

Tools for direction setting and stakeholder interaction and learning support are important in building this productive resonance. Interesting efforts are underway to develop new tools from common data sharing to new formats for learning across organizational boundaries as donors realize that alignment is continuous challenge that involves governance, processes and tools. However, there is still a long way to go towards a truly productive coordination architecture in most philanthropic fields. This puts a special burden on program officers and leaders at intermediaries to redesign the coordination architecture over time while maintaining the grant flow at the same time. On many levels one can observe the need for experienced and senior leaders to manage these transitions well.

When intermediaries resonate with funders and grantees, intermediaries can significantly complement and leverage resources and processes at funders and grantees and thus help increase philanthropic impact especially in complex and dynamic settings.

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