

Who is Having Success with Learning?

Bill & Melinda Gates Foundation

Grantmaker redesigns their grant workflow to improve efficiency and effectiveness for program officers and grantees.

Type of funder	Private Foundation
Geography/Issue Area	Seattle, Washington
When founded	2000
Total assets (as of FY 2013)	\$44.3 billion
Annual giving (as of FY 2013)	\$4.38 billion
Number of staff	1,588
Website	http://www.gatesfoundation.org/
Brief description of the program/ practice being discussed	The foundation standardized and improved how it makes and manages grants and contracts, and established a team responsible and accountable for the continuous improvement of that essential process, tools and system.

1. Describe the situation or practice.

The Bill & Melinda Gates Foundation is dedicated to the principle that all lives have equal value. Through their four major programs, Global Health, Global Development, Global Policy & Advocacy and US Education, they focus on areas of greatest need where the foundation can have the greatest impact. They have over 25 different strategies, ranging from reducing child mortality through vaccine development and delivery, to supporting smallholder farmers in the developing world, to ensuring all students graduate from a US high school prepared for college.

The foundation’s work and focus grew substantially after 2006 when Warren Buffett pledged Berkshire Hathaway stock to the foundation’s endowment. While the foundation made many changes to scale up, by 2012 they recognized it was time to both standardize and improve the process and tools for making and managing investments, including both grants and charitable-purpose contracts.

“There were some things that were common across program teams, but there was a lot of variation and inefficiency creating internal challenges and confusion for

grantees. The foundation needed one improved process for our grantmaking.”

— Diane de Ryss, director of grants and contracts services

In 2012, a small project team, led by de Ryss and using a Lean Six Sigma approach, went to work first understanding and documenting the “current state” i.e., how foundation teams actually developed grants and charitable-purpose contracts. Beyond standardizing across the foundation, the core team diagnosed five high level challenges to target for improvement.

1. Teams used **customized processes and templates**. Highly skilled employees were spending significant time on internal process and rework rather than on innovating and building strong partner relationships. Grantees and vendors followed different processes and templates depending on the team.
2. The foundation was engaged in **late-stage analysis**. Too often, due diligence issues, such as ownership of intellectual property or grantee financial stability, were identified late causing intensive analysis and rework, both internally and for grantees.
3. Across the foundation, it was not always clear who should provide input and who would make decisions. The foundation is highly matrixed, meaning multiple teams may have an interest in a grant, so **decision-making** can get confusing.
4. The foundation needed to **right-size their rigor**. In some cases, small or simpler grants were overworked, while larger, more complex grants were not getting enough attention. They needed a workflow that could scale based on the investment’s or grant’s level of complexity.
5. How foundation staff worked with grantees to **define and track progress** on grants varied, ranging from detailed project plans to high level monitoring of more strategic outcomes. These different approaches set mixed expectations without clarity as to whether and why there should be a difference.

With those recurring challenges identified, the core team held about 35 learning lunches, testing with foundation staff whether the team had accurately diagnosed the issues. They got a resounding yes. With that strong grassroots endorsement, the foundation agreed to rethink its investment development process. This launched the effort called Investment Workflow redesign.

2. What did you do differently?

A Lean Six Sigma Approach.

In late 2012, as the core team began planning for the redesign work, de Ryss hired Lynne Smith, experienced in leading business process redesign using a Lean Six Sigma methodology. That methodology includes these critical components: clearly understand and articulate the problems to be solved, identify the “key customer” for the business process, and eliminate waste, i.e., any component that does not add value.

The core team anchored to the recurring challenges they previously diagnosed and flipped them into the following design principles:

- One investment development workflow across the foundation (to streamline customized processes and templates).
- Early engagement with grants management, legal or financial staff to minimize downstream rework (to minimize late-stage analysis).
- Disciplined decision-making supported by clear decision gates, including who, when and what (to support better decision making).
- Right-sized rigor (to match grantee and foundation effort to risk and complexity).
- A shift from outputs to a focus on outcomes to be achieved that are jointly developed by the foundation and the prospective partner (to assist with defining and tracking progress).

In addition to the design principles, the team determined that the two key “customers” for the redesign were program officers and grantees. “Program and grantees are the ones that form the ‘deal team.’ They work together to determine what the project is, costs to be funded, issues to resolve, how to mitigate downstream challenges and what the outcomes should be. If this redesign was going to work for anyone, it had to work for those two roles. The PO and grantee were our touchstones,” said de Ryss.

Intense Design Workshops.

In late 2012, the core team recruited and convened the design participants from program and supporting teams, including legal, financial planning & analysis, and grants & contracts management, and from a wide range of roles. For the next five months, the core team set up and facilitated three, intense, 2.5-day workshops in which the design participants developed, debated and improved the future state of investment workflow.

Relying on Lean Six Sigma techniques, the core team prepared for these design workshops by articulating explicit goals and planning facilitated

discussions and exercises that allowed workshop participants to develop and test design ideas. The team also brought into the workshops existing grantmaking practices that were working well. At the end of each workshop, the core team summarized the results for the design participants and used that as a springboard for the next workshop.

Feedback Loops.

Throughout the design period, the core team sought input from a broad set of stakeholders:

- Every Wednesday, the team hosted an informal gathering known as “Wine and Workflow,” in which the emerging design was displayed on enormous posters. Staff from across the foundation stopped by for a late afternoon beverage and snack to review the work to date. The team served as docents to explain the work underway and gathered feedback. These gatherings, begun during a 5-month design period, continued periodically for about a year as a way of testing improvements made after staff began to use the new workflow.
- The team held hour-long webinars with grantees and vendors to pressure test specific aspects of the design. For example, grantees were passionate about the foundation adopting outcome-based investing as their standard approach. They also reinforced the value they get when a program officer explains how a proposed grant fits into the foundation’s own strategic framework.
- The team interviewed program presidents and directors to validate or improve design ideas.

Feedback from all these avenues directly influenced the design work.

Incubation before Implementation.

In late April 2013, the design participants agreed the design was ready to be tested with foundation work to understand what other improvements needed to be incorporated. The core team recruited “incubator teams” to use the new investment workflow process and templates in developing their grants and contracts over a 3-month period. Business analysts from the core team were assigned to each incubator team to support their use of the new process, answer questions and gather feedback about what was and was not working.

Implementation in Two Waves.

After the incubation period, the core team scrubbed the process and templates. The team then rolled out the updated design to half the foundation in summer 2013, supported by e-learning, face-to-face training and “office hours” staffed by the core team’s business analysts.

The team also built a continuous improvement program, systematically collecting, analyzing and prioritizing feedback so they could make value-added changes before rolling out the new design to the other half of the foundation in January 2014.

“It was important to test it first before we put everyone else through their paces. You might not need to phase the rollout, but we had an extensive support program because of our size. For us, the phased approach was right,” said de Ryss.

Business Process before System Design.

The core team made an early decision not to incorporate the new workflow into the information technology systems until the process stabilized. The workflow tools were rolled out on Word and Excel-based templates. In January 2014, once the process and tools were more stable, and coinciding with the second implementation wave, the core team worked with IT to develop and launch an online system to replace the internal-facing Word- and Excel-based templates. De Ryss said, “Get your process clear and get it stabilized and then start writing code. IT systems are too expensive to build, unravel and build again.”

Business Process Ownership.

The core team is skilled in business process design, business system analytics, project management, facilitation, training, change management and implementation. During design and early implementation, the team expanded by adding consulting resources, who then rolled off as the process stabilized. The core team of 10 now fills an essential role as the “business owner of the investment workflow process, templates and associated systems. Establishing a centralized process owner helps the foundation avoid devolving back to fragmented approaches. The team is accountable for continuous improvement, identifying issues and modifying the workflow as the foundation’s needs change and use challenges emerge. The core team must understand internal and external user needs and intersecting business processes. They rely on quantitative metrics and qualitative feedback and the guidance of a cross-foundation governance group. They are also responsible for system work in partnership with IT.

Investment Workflow Process

The Bill & Melinda Gates Foundation established a 4-phase Investment Workflow process for all teams to follow in their grantmaking. Each phase concludes with a distinct decision gate.

1. **Concept Development:** Program officers identify ideas that advance their team's strategic priorities and complement the existing portfolio of investments, and draft an **Internal Concept Brief** ("ICB") explaining the project, the strategic alignment and portfolio fit. A leader, typically in discussion with their team, decides which concepts should be developed.
2. **Pre-Proposal:** With the concept approved, the program officer begins or continues discussions with possible grantee(s), refining the concept and assessing the prospective grantee's strengths and capacity. The program officer updates the **ICB** and completes the **Risk Profile** to identify issues for early discussions with business partners, such as legal or grants management, minimizing late stage rework. The program officer also selects questions to customize the proposal template so it is well suited to the particular grantee and project. A leader decides whether the program officer should seek a proposal from a prospective grantee or, if the program officer wishes to engage multiple organizations, whether to publish a request for proposals.
3. **Investment Development:** With leadership onboard, the program officer requests a formal proposal from the prospective grantee, providing a customized **Proposal Narrative** template, a **Budget** template, and a **Results Framework & Tracker**, to capture the intended outcomes. The program officer reviews the proposal materials and iterates with an applicant on recommended changes. The program officer writes an **Investment Summary** for a foundation executive to review and make a final decision on grant approval.
4. **Management and Close:** As a grantee undertakes funded work, the program officer works with them to understand progress and challenges, provide feedback and jointly resolve issues. For multi-year grants, grantees submit a **Progress Narrative**, a **Financial Summary**, and the **Results Tracker**. A program officer reviews the submission and only writes a **Progress Analysis** if a payment is due or if they have additional comments on the grant. Grantees complete a final report with a summary of results.

For more information: <http://www.gatesfoundation.org/How-We-Work>

3. What has been the result?

Grant Cycle Time is Shorter.

The cycle time for grants and contracts decreased from 75-165 days to 38-118 days, with a median cycle time of 71 days. This time reduction indicates that the foundation's efforts to right-size rigor are increasing efficiency across the process.

Grantees Express Satisfaction.

In the foundation's 2014 Grantee & Partner survey, those grantees who had used Investment Workflow experienced a statistically significant reduction in the complexity of their interactions with the foundation. The foundation continues to receive feedback from grantees that the changes made it easier to work with the foundation.

"I marveled at how your streamlined process seemed to give you what you need, and did so in a smooth way that inspired us to think while freeing us to work." — August 2015 comment from a foundation grantee

"I found the templates clear, concise and easy to work through. They were also helpful to drill down into our own strategy around the project we are planning." — March 2013 comment from a foundation grantee

Program Adoption.

The foundation's internal program teams support the approach (despite some staff finding it bureaucratic to follow a centralized process). In a recent internal survey, when asked an open-ended question on the one thing not to change in all aspects of how the foundation makes investments, the most frequent response was investment workflow components.

"The different steps in Investment Workflow are logical and workable." — Global Health Program Officer

"Do not change the templates and tools. They are working well." — Global Development Program Staff

Expanding Recognition.

Other foundation teams have begun to embrace Lean Six Sigma, with at least five smaller projects completed. The investment workflow core team supported 20 other staff in gaining a Six Sigma certification. In addition, in May, the foundation's investment workflow program was awarded first place in an international competition for "innovative and effective implementation of Lean principles and practices that deliver exemplary business performance improvement" by the Institute of Industrial Engineers, an industry-based

association. That was the first time the Institute of Industrial Engineers has recognized design work in the philanthropic sector. Finally, the team periodically shares learning and advice with grantees and other nonprofits about process design and Lean Six Sigma methodology.

4. What are your key insights from doing the work?

Setting Expectations.

The core team recognized redesign would cause major changes across the foundation. It was important to set realistic expectations about the need for continuous improvement. De Ryss stressed that, “we knew the design would not be perfect immediately. It takes time to make adjustments based on feedback that will lead to a strong workflow model.”

Other Stakeholders Matter.

Engaging the right people is essential to the work. While it was critical to determine the primary customers and keep them at the forefront of design decisions, it was also important to remain mindful of other stakeholders in the process. “Get clear about your key customers and check your design against them,” said de Ryss. “Then double check the ripple effects on other stakeholders.”

Behavior Change is Hard.

Developing a streamlined process and improved templates gets you only part of the way toward working smarter. The harder part is behavior change. For example, the Results Framework & Tracker cannot institutionalize a best practice of co-developing outcomes between prospective grantees and program officers. Similarly, clear decision gates are helpful, but cannot guarantee that all decisions stick.

Keep Listening.

The core team approached the work with humility, with the process designed by staff who do the work. It was equally important to engage with grantees during design. Now that the foundation is over 18 months into an organization-wide adoption, it is essential to maintain that perspective. For example, based on program officer feedback, the team just released a simplified Risk Profile, working closely with key stakeholders on the redesign. In addition, work remains to improve the Results Framework & Tracker and to simplify further the process for low-risk investments. “It’s hard not to become wedded to the redesigned process because so much effort and thought went into it,” De Ryss continues, “but we have to keep listening to those who use investment workflow. It has to be an effective and efficient process to get the foundation’s important work done well.”