

# OSF 2014 Budget & Strategy Planning

## Presentation from December 2012 Global Board Book

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**WE ARE FIVE MONTHS** into the leadership transition at the Open Society Foundations, a transition that will end about a year from now with the adoption of the budget for 2014. The transition has already brought many changes, but, even as we reorganize, we are moving ahead with many new initiatives.

The 2013 budget we consider at this meeting is the last one that will be produced using the process that the Foundations have followed in recent years, with each program presenting a strategy and budget for review in the second half of the preceding year. The 2014 budget, in contrast, will be produced in a two-part process: with strategies being reviewed and approved in the first half of 2013, and then budgets for those strategies reviewed in the second half of the year. The budget will be zero-based, in the sense that every line will be justified, not merely changes from the previous year. Moreover, the budget for 2014 will be presented in a different format from what you have reviewed in recent years. I hope the new format will make it easier for you to see what is already committed and what is proposed to advance new initiatives and seize new opportunities. But that is a year away.

The 2013 budget meets and exceeds the board's mandate that the budget and headcount end the growth typical of the last several years. Both headcount and spending are reduced in the 2013 budget. At the same time, we are taking up several new opportunities, including:

- The launch of the Open Society Initiative for Europe led from a new office in Barcelona, with a special emphasis on Greece.
- Expanded work in Burma, continuing the increased funding we made available through the Burma Project and various thematic programs in the second half of 2013.
- An integrated human rights program, bringing together, in an expanded Rights Initiatives, work that was previously managed through presidential grants, and the work of the Human Rights and Governance Grants Program.
- An integrated Africa Regional Office, bringing together the former office of Africa Advocacy and the AfriMAP program.
- A new internship program in conjunction with the CEU School of Public Policy that will bring top students from schools of public policy around the world to Budapest for a 10-day seminar and then place them in civil society organizations around the world.
- A reorganized Higher Education Support Program expanding work in Asia and consolidating opportunities in Africa to advance food security in the face of climate change with the Climate Policy Initiative and other Open Society partners.
- New efforts within U.S. Programs on economic equity and the nature of work.

Of course, there are new initiatives and exciting developments in every program and foundation, with breakthroughs likely on drug policy in Latin America, advances in corporate transparency in extractive industries, possible new prospects in the Decade of Roma Inclusion, and much more. The budget itself cannot convey the creativity and excitement behind each of our financial allocations, but they are there in every budget line.

As we move forward into 2013 and beyond, I am hoping to bring more unity to the Open Society Foundations, without overly centralizing our structures. We have long championed human rights, international and domestic justice, independent journalism, good governance, transnational solidarity, and democratic practice, just as we have long invested in healthy human and economic development. Today, we remain committed to those ambitions and principles, and I want to encourage work on integrated strategies to advance them. We should be looking for opportunities to pursue human rights and human development in tandem, for ideas that simultaneously advance both justice and equitable economic development, for partners skilled at translating abstract ideas about human dignity into food you can eat and freedom you can feel.

### **PROPOSED NEW STRATEGY-BUDGET-PERFORMANCE PROCESS**

By the end of 2013, I propose to implement a new approach to the management of our substantive work: grantmaking in particular, but also our communications, advocacy, and advocacy research; our litigation and legal reform; our assistance to government officials; and our economic investments. The new approach will require more specific goals and strategies, budgets more closely tied to those strategies, and more frequent and rigorous assessments of how we are advancing those strategies.

The new approach will be most keenly felt in grantmaking. Program staff will be able to make grants more quickly and on their own authority, and our grantees will be freed from some of the administrative burdens we now impose, but the results of those grants will be scrutinized in many more ways and much more often. In this way, I hope we can strengthen accountability and improve our effectiveness while making our processes even more agile and flexible than they are today.

I do not intend to implement this approach all at once, but instead to experiment in a small number of programs in the first half of 2013. We plan to start with grantmaking, and then apply the lessons we learn there to the other tools we use to achieve our goals.

At the heart of the new approach is “portfolio review”: a performance assessment process that can be used by advisory boards, by senior managers, by line supervisors, and by peers within a program. What does portfolio review mean for grantmaking programs? Instead of approving grants one at a time, as they are about to be authorized, boards or supervisors would review collections of grants well underway that cover a common field, that advance a specific strategy, or that are focused on a specific place. We might ask which ones are performing as expected, and which are producing surprising results? Which encountered problems we should have anticipated? What are we learning and how should we adjust our strategies? Today, we have few tools to help us ask and answer those questions routinely. Our continuing investments in Foundation Connect (our grant management software system) should help us structure portfolio reviews for collections of grants with relative ease.

The new approach will apply both to individual strategies developed by programs and foundations, and to cross-cutting strategies developed in the collaborative process we considered at the September board meeting. Indeed, I am hopeful that the techniques and routines that we use for cross-cutting strategies will be adapted by participants for use in their individual strategy development processes.

## **RECOMMENDATIONS FOR INITIAL TOPICS FOR CROSS-CUTTING STRATEGY DEVELOPMENT**

The first recommendations for cross-cutting strategies will come to the Global Board in April at our next meeting, following a process that is just now being finalized by our design team. Indeed, how recommendations come to the Global Board is a crucial design element within this new approach.

I share the view of the design team that the process to bring recommendations to the Global Board should be as transparent and participatory as possible, tapping the collective intelligence of the Open Society community. The process should also stimulate and support creative thinking and collaboration across the network more generally, so that many ideas emerge that can be taken forward without the need for formal development as cross-cutting strategies.

Not surprisingly in this digital age, the design team is considering creating an internal, online platform for proposing, developing, discussing, and vetting collaborations at a wide variety of scales and maturity. The team has conceived a name for the platform: the Collaboration Souk. *Souk* is an Arabic word for marketplace or bazaar.

The Souk would be a space for posting outlines of a wide variety of possible topics for cross-cutting strategies: new ideas, descriptions of smaller collaborations already underway in the network, proposals to integrate currently separate lines of work into a new larger-scale strategic framework, as well as mature proposals. The Souk would be accessible to Open Society Foundations staff, board members (including program advisory boards and foundation boards), and fellows, any of whom could submit ideas, proposals, and comments.

I hope to launch some sort of platform along these lines early in 2013—with or without this name—so that we can generate a first set of ideas for consideration by the Global Board in April.

In the meantime, many programs and foundations will participate in the development of a new strategy to advance food security in the face of climate change in Africa. This topic did not emerge from the kind of open, participatory process described above, but it nonetheless allows us to test a later step in the process we hope to use routinely to define cross-cutting strategies: the strategy charette. In early March, I will gather participants from among our close grantees (such as Tom Heller from the Climate Policy Initiative) along with representatives of the Soros Economic Development Fund, the Africa regional foundations, the Higher Education Support Program, several thematic programs, and some of our advisory boards for a two-day event. Together, we will develop a wide array of approaches to the problem of food security in Africa and select the most attractive for inclusion in a strategic framework with concrete goals and specific timelines. Not only will this charette serve as a model we can apply in the development of subsequent cross-cutting strategies, but it will give new direction to a set of commitments we have made to universities working on climate change across Africa.

## PROPOSED NEW POLICIES ON ADVISORY BOARDS

The new Strategy-Budget-Performance approach carries implications for the role of our advisory boards. We enjoy the benefit of advice from some of the best minds in the fields in which we work, and the presence of such experts on our advisory boards allows our management to be flatter and leaner than in other organizations of comparable size.

Our advisors participate in a wide variety of “board” structures: sub-boards, advisory boards, advisory committees, selection committees, and brain trusts. For the sake of clarity, I will call these all advisory boards. Following the meeting of our advisory boards in Budapest in September, I enlarged the design team that is working with me to strengthen our engagement with our advisors. That team, now including four advisory board members, aims to make the role more fulfilling for advisors and more productive for all. We are focused on the composition, functions, procedures, and connectedness of these advisory boards. We have learned that each board operates differently from the others and without standardized direction from the Open Society Foundations. The design team is not recommending strict standardization of the boards, but we have concluded that providing more guidance reflecting the Foundations’ view of what the boards’ roles and responsibilities should be will help optimize their effectiveness.

The design team has come to the following conclusions and recommendations based on our work to date:

- This element of the architecture of the Open Society Foundations (i.e., the number and varied functions of the advisory boards) is unusual. This reflects the fact that, relative to its size and expenditures, the Foundations have a thin layer of senior management, and our advisory boards serve functions that in other organizations would be performed by more senior managers. We think, therefore, that the oversight provided by our advisory boards has, among other important benefits, helped the Foundations avoid becoming unduly bureaucratic. Our advisory boards are not fiduciary boards, which typically must insure the financial, institutional, and programmatic integrity of an organization, but neither are they merely advisory. We see the boards as exercising a quasi-fiduciary function: We count on them to oversee the programmatic integrity of our work. They are the substantive experts on whom we rely to engage program directors and staff, keeping them at the top of their fields.
- The role of the board chair is particularly important to a board’s effectiveness. Currently, not all of our boards have chairs, and some of the boards have staff members in this role. The team intends to recommend that every board has a chair who is not an Open Society Foundations staff member, and our preference is that the chair is fully independent of the Foundations (i.e., free from any financial or professional interest in grants or other transactions with any program). We recognize that this will not always be possible or in certain cases even advisable, but we believe an independent chair is something toward which all boards should strive.
- We will recommend that all board chairs are invited to an annual meeting with members of the Global Board and others in the leadership of the Foundations. We think such a meeting supplemented with a conference call six months later would enhance the functioning of the chairs and also help the boards gain a deeper connection to the overall work of the Foundations. It would connect the advisory boards to the Global Board and allow the Global Board to keep an eye on the quality of the advisory board chairs.
- We want to establish a clear selection process by which board members are appointed. Such a process should be managed by the President’s Office on behalf of the Global Board, and the process should be the same for all advisory boards.

The design team is now considering the role of advisory boards in grantmaking. Only about half of the advisory boards today review proposed grants at all, and those that do so perform the function quite differently from one another. We want to preserve the ability of program directors to seek guidance on specific grants from advisors, but we want to encourage boards to use their meeting time to review strategies and to conduct portfolio reviews of collections of grants that are underway.

### **NEW ORGANIZATIONAL ARCHITECTURE AND CHANGES IN PERSONNEL POLICIES**

Two other features of the Open Society Foundations are being addressed: The management structure itself is changing, and we are conducting a review of our personnel policies.

Management and leadership of the Foundations are vested in the president, and today I am exercising this authority through a senior management committee of approximately 20 individuals, grouped into three subcommittees. One subcommittee includes the directors of very large geographic regions (the United States, Europe, sub-Saharan Africa, Southwest Asia, the Middle East and North Africa, and Latin America and the Caribbean) plus the director of international operations. A second subcommittee includes the directors of key internal functions (human resources, finance, and information technology) as well as our general counsel and the secretary to the Global Board. A third subcommittee includes program directors who exercise responsibility for external functions (fellowships and scholarships, litigation and legal reform, communications, advocacy, and financial investment) and the director of programs.

The members of the senior management committee sit on the committee carrying the interests of the entire organization, not simply the departments, programs, or units they oversee. As the committee begins to cohere and develops the trust and routines that effective management teams require, my hope is that it can take on more responsibility for the supervision of thematic programs.

Coordination of geographic programs and foundations is a different matter. Geographic programs and foundations are the principal vehicles through which we currently integrate our strategies, but each geographic unit operates in a slightly different way, and the extent of their coverage varies widely. As a result, we pursue regionally integrated strategies to quite varying extents in different parts of the world. For example, the strategies pursued by the four foundations in Africa are coordinated on a continent-wide basis, but the strategies pursued by the many programs and foundations in Asia are not routinely coordinated at all.

Increasingly, I will rely on one senior manager in each large region to coordinate the work of the foundations and geographic programs in that region. This is now the case in sub-Saharan Africa, Southwest Asia and the MENA region, Latin America and the Caribbean, and the United States. With the creation of the Open Society Initiative for Europe, it will also be the case for the European Union.

Outside of those five large regions, we support 23 separate geographic programs and national foundations. In the Balkans, we support one program (Croatia) and five foundations (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, and Serbia). In the South Caucasus, we support three foundations (Armenia, Azerbaijan, and Georgia). In Northeast Europe outside the European Union, we support two foundations (Ukraine and Moldova) as well as a Russia program and a Belarus project. In South, Central, and East Asia, we support six programs (Bhutan Initiative, Burma Project, Central Eurasia Project, China and Northeast Asia Program, Nepal Initiative, and

Southeast Asia Initiative), and four foundations (Tifa in Indonesia, Kazakhstan, Kyrgyzstan, and Tajikistan). Finally, we support the Open Society Foundation–Turkey in partnership with other philanthropists.

It has been suggested that we group these 23 programs and foundations into two regions, each coordinated by a regional director: one for Asia and one for Eurasia. I am considering going forward with a regional director for Asia (encompassing South, Southeast, and East Asia), but holding off on further steps in Central Asia, the South Caucasus, Northeast Europe, the Balkans, and Turkey for at least another year.

The last piece of the transition is the revision of our personnel policies, and this is just beginning. I've asked Sandra Schwarzer, our director of human resources who joined us in August, to take a fresh look at our recruitment practices, benefits, compensation policies, promotion processes, and, more generally, the ways in which we encourage professional development among all staff. As I announced in early October, a professional growth design team is working with Sandra on a range of staff development issues, and the team's work will guide the introduction of a variety of improvements in practice throughout 2013. These changes likely will affect how we set individual goals and expectations, conduct performance reviews, structure meaningful benefits, and compensate everyone reasonably while working within the boundaries of a steady budget.

#### **AN INTEGRATED SET OF CHANGES**

Although each of these changes can be understood in its own right, they are meant to complement and reinforce one another. Not only are we becoming more unified substantively, combining human rights and human development, but we are becoming more unified organizationally as well. By aligning our expectations for advisors, program staff, and senior managers, by encouraging collaboration, and by making responsibility clearer and more accountable, I hope we will strengthen our work and our workplace. It is a great organization and it should remain great for decades to come.