

## Building a New Foundation:

# Patty Stonesifer Shares Her Experiences as CEO of the Bill & Melinda Gates Foundation

On October 20, 2008, the Bridgespan Group hosted a conversation with Patty Stonesifer, the former chief executive officer (CEO) of the Bill & Melinda Gates Foundation. The packed audience had gathered to celebrate a milestone in the growth of our organization: the official launch of Bridgespan executive search capabilities in the Bay Area. During the event, Stonesifer and Thomas J. Tierney, the chairman and co-founder of the Bridgespan Group, discussed the challenges she faced and the lessons she learned while building, from the ground up, one of the world's largest and most influential charitable foundations.

As CEO of the foundation from its inception in 1997 until August 2008, Stonesifer led its mission to promote equity for all people around the world, setting strategic priorities, monitoring results and facilitating relationships with key partners. Stonesifer is now a senior advisor to the foundation's trustees, Bill and Melinda Gates, and Warren Buffett. In addition to her continuing work with the foundation, Stonesifer recently became the chair of the Board of Regents for the Smithsonian Institution. Prior to joining the Bill & Melinda Gates Foundation, Stonesifer had a two-decade career in technology, including eight years in senior executive roles at Microsoft Corp.

Although the Gates Foundation is in many ways an atypical nonprofit, Stonesifer's experiences in moving from an established for-profit entity to a nonprofit start-up, highlighted below, provide insights helpful to anyone considering switching sectors, as well as insights for nonprofit leaders on building organizations and philanthropy.

### A time for career reinvention

Stonesifer had just announced she was leaving Microsoft for a senior role at then-start-up DreamWorks SKG in 1997 when Bill Gates approached her about helping him launch a new nonprofit foundation whose mission at that time was to get the nation's public libraries online and to create a program for global libraries. Stonesifer declined the offer, feeling burned out and ready to leave the technology sector, and went to DreamWorks as planned. But just 12 weeks later, she reversed her decision and left DreamWorks to help launch the Gates Library Foundation, a precursor to the Bill & Melinda Gates Foundation.

"I think like many bridgers [people moving from the for-profit sector to the nonprofit sector for the first time], I knew I was ready for reinvention," she said. "But I didn't know where I was ready to go." In fact, Stonesifer said she was "a little bit addicted" to reinventing herself on the job, having held seven different jobs in nine years at Microsoft. But leaving Microsoft for a few months allowed her to realize that what she really wanted was to reinvent her entire career. "The first thing I tell [bridgers] is to get out of the bubble that you're in and really examine your values and your assets, and how those assets can be used in a new way," Stonesifer said.

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Many bridgers—particularly those who come from large, well-established for-profit firms—find that their first big challenge upon entering the nonprofit sector is getting used to the no-frills, start-up atmosphere prevalent at many nonprofits. Stonesifer said her move to the foundation was a culture shock at first. “I left an organization where I had a billion dollars in sales and thousands of employees who directly reported into my organization to [go to] a one-room office above a pizza restaurant,” she said.

But Stonesifer said this “scaling down” allowed her to reinvent herself as a manager. “I got to look at the things that I missed doing as a manager—the relationship building, taking time to listen and learn,” she said. “In a large organization, you become so much a person doing that you forget to be a person learning, or there’s just not enough time to be a person learning...That second opportunity to scale [at the foundation] allowed me to be wiser.”

One of her first decisions was to keep her Fridays unscheduled, so she had time to study, think and learn. She studied the successes and failures of great philanthropists from past eras. She also took the time to seek out and build relationships with “truth-tellers”—staff members, grantees and others who would tell the foundation honestly how it was doing along the way. “That has been very, very important,” she said. “So, I’m still doing on-the-job learning, even as the ex-CEO of the Gates Foundation.”

### **Getting from idea to implementation**

In the for-profit world, things often can go more quickly from idea to development. “In software, the day you decide on the specifications, somebody can sit down and start writing code,” she said. “That is beautiful.” However, in the nonprofit space, going from planning to implementation, and aligning the key resources to do so, often can take a significant amount of time. “In the work we’re trying to do, the problems are big enough and the players are diverse enough...it really did take this slow first year of aligning the players, the plans, the interests, the resources,” she said. While she sometimes wishes she could get back all the “lost years” so that each of the foundation’s initiatives would now be further along, Stonesifer said she understands that the time when nothing tangible appears to be happening is an important part of the process.

Even during the most frustrating times, Stonesifer said she was sustained by the foundation’s success stories. She told the story of a farmer she met in India who had been unable to get married because his small farm could not support a family. A Gates-funded program allowed him to get a \$20 pump that doubled his crop production and allowed him to start a family. “He pulled out a little picture of his wife...and he was anticipating the birth of his first child,” she said.

### **Building the organization and leadership team**

Many bridgers underestimate the importance of collaboration when they first join the sector. Stonesifer said one of her earliest mistakes was that she—and the other founders of the Gates Foundation—did not fully understand the importance that coalition building skills would play in the foundation’s success. She said she quickly realized that even though the foundation had substantial financial resources, it could not accomplish its goals without partners. For example, the foundation and Merck & Co. pledged \$50 million apiece to an HIV antiretrovirals effort in Botswana. But

after a year, no drugs had been distributed and the program was at a standstill. “We just weren’t aligned around what the government wanted, what the pharmaceutical company wanted, and we had to pull those back together to ensure that everyone in Botswana had access to drugs,” she said.

Part of building those partnerships, Stonesifer said, includes building political and public support for the foundation’s initiatives. A great strength of the foundation has long been its ability to attract the best and brightest minds, but all potential foundation hires also must show they are committed to building coalitions and are able to demonstrate legislative leadership, or the ability to influence people through motivation and persuasion<sup>1</sup>. “It’s sometimes hard to walk away from somebody who has so many skills you need, whether it’s on science, or on the math, or on the business skills,” she said. “But if they’re not the right cultural leader...they don’t get in the door.”

The foundation’s rapid growth over the past 11 years brought with it many challenges, according to Stonesifer. One of the biggest was balancing the needs of the mission with the needs of the organization and its employees. She and the other founders were initially so focused on “the boss out there”—the societal needs crying to be met—that they did not devote enough energy to building the management systems and processes necessary for the foundation’s employees to do their jobs effectively. “We were so focused on the outside world...that we weren’t as intentional in building the systems and the team processes and the governance that you needed to scale an organization as fast as our strategies and our people scaled,” she said.

With Bill and Melinda Gates happy to be the external face of the organization, Stonesifer was able to quietly focus on building the necessary internal strategies, teams, systems and capacity to get the job done. She said the foundation even has been able to help some of its grantees with their own management challenges. “About three years ago, the majority of our education intermediaries received funds from us to build strategic plans,” she said. “Getting their boards and their communities and their supporters all on the same page around a strategic plan seemed to be an important capacity gap.”

### **Soliciting feedback to gauge success**

While many of the foundation’s initiatives have succeeded, some have failed, and the fate of several multimillion dollar initiatives is still up in the air, said Stonesifer. Maintaining a culture where it is okay to take big risks—for example, spending millions of dollars on medical research or other programs that may not bring results—is perhaps the biggest challenge facing Jeff Raikes, her successor as CEO, she added.

“Getting a system where less-than-great news flows is a real goal,” Stonesifer said. “We’re far from perfect on it, but we’ve tried to make an exercise of being very open and [emphasizing] our principle that we take big risks; we’re in it for the long haul. And the assumption of taking big risks—that we talk about all the time—is there will be a few belly flops. [The goal is] creating a culture where that’s okay, that we at least failed with intention, and we’re learning something from the failure.”

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<sup>1</sup> Collins, Jim. *Good to Great and the Social Sectors: Why Business Thinking is Not the Answer*, Harper Collins, November 30, 2005.

The chief reason for encouraging the flow of both good and bad news is not to punish those who fail, but to prevent the same problems and obstacles from cropping up in different parts of the organization. In addition to encouraging employees to share both their successes and their mistakes, she said it is important to seek out good and bad feedback from as many other sources as possible. For example, the foundation's high school initiative included input not just from the district leadership and principals, but also from students. "I think there's a range of feedback loops that we need to have, formal and informal," Stonesifer said. "My fear at the Gates Foundation and in every organization is, does bad information—information about what's going badly—flow as rapidly as information about what's going well? And so, you want an environment of encouragement, but finding a discipline for really sharing those obstacles in an organization that's growing fast is a problem."

### Philanthropy in a tough economic climate

The current economic downturn has had little effect to date on the Gates Foundation's endowment or the size of its commitment to the mission, according to Stonesifer, but it has prompted important and useful conversations internally and with grantees. "We're not going to change our payout system, but we should be looking at our expenses and our hiring and everything else, because our grantees are going to be looking at that," she said. "Part of being mindful is to be aware of the environment we're working in, which should mean belt-tightening no matter what the circumstances are in order to be aligned with those you're trying to partner with." (Since October 2008, the foundation has clarified its plans to grow its 2009 payout over 2008 levels. Full details can be in the foundation's November 21, 2008, press release, "[Statement on the Financial Crisis](#).")

Stonesifer said part of her new role as a senior advisor to the foundation's trustees will be to find ways to encourage "super wealthy" individuals to follow the lead of Bill and Melinda Gates, Warren Buffett, and others who are using their wealth to address societal problems. She said many wealthy people have traditionally been more comfortable giving large sums of money to more established and familiar institutions, where they can see the difference their money has made in the form of a new hospital wing or a library. But she said she thinks the successes of the Gates Foundation and others like it are beginning to change those views.

"I think there's evidence coming out of those efforts that should prod others to say, 'We can give now, we should give to big problems, and we should do it on a scale that matches those problems,'" she said. "It's great to be a big giver—how about being a great giver? Really actually changing society in some lasting, tangible way—the way [such individuals] probably did when they built their wealth."

**Bridgestar** ([www.bridgestar.org](http://www.bridgestar.org)), an initiative of the Bridgespan Group, provides a nonprofit management job board, content, and tools designed to help nonprofit organizations build strong leadership teams and individuals pursue career paths as nonprofit leaders.