

## ROLLER STRATEGIES BRIEFING NOTE

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# PHILANTHROPY IN AN ERA OF COMPLEXITY

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## HOW EFFECTIVE ARE EFFORTS TO ADDRESS COMPLEX SOCIAL CHALLENGES?

We now live in a world where the challenges faced by humanity have moved from complicated to complex. The time horizon to change course seems increasingly urgent and the consequences of failure increasingly dire.

We can see on the near horizon the threats posed by ecosystem degradation, climate change, and population pressure causing food system disruption and water insecurity. We can see as well social challenges for safety, health, and education driven by migration, conflict over scarce resources, technological disruption and economic inequality. The list of challenges seems steadily growing.

In response, more resources, more talent, and more attention are being dedicated to these issues. The revamped Sustainable Development Goals point to an example of how these threats are being taken seriously by the global community.

There is, however, diminished confidence in both public and private sector ability to effectively address these issues and, in some cases, their policies and actions are at the root of the problem. In response, philanthropy is increasingly looked to for leadership and solutions. We see a significant increase in philanthropic capital being deployed to the social sector to address complex challenges from established foundations and from sources of newly created wealth.

As capital flows to complex challenges increase, what can be said about the efficacy of the strategies that are being financed? Are the strategies scaled commensurate with the scope of the challenges? Do the strategies reflect an understanding of the complexity they seek to tackle, and are these strategies designed to account for the emergent properties of complexity that thwart predictability where progress does not conform to linear causal logic? Or to put it more bluntly, what are we actually getting for our money?

What if the answer is no? What if philanthropy is fighting a war that

In 1970 the cumulative value of inherited wealth constituted about 45% of total wealth, the share increased to about 60% in the middle of the 1990s, and is tending towards 80 or 90 per cent beginning in the year 2030. *Capital in the Twenty-First Century*, Thomas Piketty (2014)

ended in the last century and is ill-prepared for the new fight? How will we know, and will we know in time to prevent the waste of capital and the loss of precious time?

Based on observations of a sample of current philanthropic practices, what we see is an alarming lack of effective strategy.

## BAD STRATEGY OR THE NUMBERS DON'T ADD UP EVEN ON PAPER

Even though the espoused practice of philanthropy is to address root causes, the complexity of the challenge drives our focus to symptoms. We have moved from preventing climate change to adapting to climate change. We seek to fund job training programs for ex-offenders that have lower recidivism rates rather than stem the tide of mass incarceration. We fund scholarships for inner-city youth to go to college while turning our backs on the plight of the multitudes who hang out on street corners, out of school and unemployed.

As the CEO of one Foundation explained, somewhat sheepishly, “Our board thinks that systemic work is too difficult, so we’re focusing on projects and prototypes.”

Private conversation, Zaid Hassan, New Zealand, 2016

Responses to complex social challenge suffer from being “bad strategy.”

*“More and more organizational leaders say they have a strategy, but they do not. Instead, they espouse what I call bad strategy. Bad strategy tends to skip over pesky details such as problems. It ignores the power of choice and focus, trying instead to accommodate a multitude of conflicting demands and interests. Like a quarterback whose only advice to teammates is “Let’s win,” bad strategy covers up its failure to guide by embracing the language of broad goals, ambition, vision, and values. Each of these elements is, of course, an important part of human life. But, by themselves, they are not substitutes for the hard work of strategy.”*

Good Strategy Bad Strategy: The Difference and Why it Matters by Richard Rumelt (2012)

Addressing symptoms in a situation where demand is increasing exponentially is a recipe for catastrophic failure. So for example, there are 600 million young people aged 25 or under in India. Even as this population is growing, young people are chasing a smaller and smaller pool of jobs. Such cases, albeit at multiple scales, are growing.

Dreamers: How Young Indians are Changing the World by Snigdha Poonam (2018)

Stepping back to examine the wider context of most complex challenges, we can see why bad strategy abounds. One reason for this is that there isn't enough financial capital to outright "buy" a solution. For example if in Chicago we are trying to address the challenge of 50,000 unemployed youth aged 16-24 then there is not enough financial capital to employ them outright. Assuming an average annual income of \$25,000 this would require \$1.25 billion a year. It would be fair to say, barring radical changes to macroeconomic orthodoxy, we will never have enough financial capital to simply buy solutions outright.

The first step to address any complex challenge is to run the numbers. And in most cases we will find that the numbers simply do not get us to solutions that will make a dent, let alone stop or reverse the underlying dynamics driving the negative outcomes. We don't have good strategic responses even in theory, let alone in practice. Unfortunately, when confronted with the reality of these numbers, and armed only with bad strategy, we give up. A number of "work avoidance" tactics come into play. We compromise and convince ourselves that helping one in ten or one in 100 is good enough – and the best we can do. Or we hold out hope for divine intervention that will scale our pilot. Or we simply ignore the actual data and evidence in the belief that what we are doing is the best we can do.

## GOOD STRATEGY REQUIRES MULTIPLIERS

To get the numbers to add up we must design strategies that leverage multipliers. This requires mobilizing other forms of capital beyond the financial capital provided by a grant. Can we augment dollar investments with in-kind donations? Instead of renting a space can we invite communities to donate use of a space? Can we tap volunteers to contribute their time? Can a foundation providing financial capital also mobilize its own social capital to influence and align other partners and resources?

These capitals, physical capital in terms of the space, human capital in terms of volunteer hours, social capital in terms of relationships, all represent multipliers. Good strategic responses to complex social challenges require not simply the mobilization of multiple capitals but the **generation** of multiple capitals. Latent, stranded, unused and under-used capital stocks must be deployed as part of our strategic responses.

Multipliers are not the only characteristic of good strategy, a lack of multipliers, is almost certainly a sign of bad strategy.

## THE SUPPLY & DEMAND FOR GOOD STRATEGY

The distinction between effective strategic responses and ineffective responses is hard to see. A lack of clear and deliberate incorporation of multipliers into responses is an example of a characteristic of an effective response. It's hard to clearly see such distinctions because our experience with complexity is low. As a society we have high technical competencies and low “adaptive” competency when it comes to complex social challenges. This unfortunately means that there is a ready market for ineffective strategic responses to complex challenges.

One way of increasing the overall efficacy of our attempts is to focus on both the supply and the demand-side for good strategy. This problem is acute because philanthropy sits at the intersection of both supply and demand. It supplies the capital needed for social change, and it defines the demand through its program priorities. Increasingly, foundations are the market – which is why it is imperative for philanthropy to improve the quality of its strategies to address complex challenges.

From a philanthropic perspective donors can set the demand for requirements for the strategies they invest in – if they knew what these requirements were. However, simply specifying a set of requirements is unlikely to work unless the possibility of supplying this demand exists among organizations with the pre-requisite level of capitalization. This, in turn, requires philanthropic investment in sector infrastructure, leadership, core capabilities and strategy.

Currently the core capabilities required to deliver “good strategy” are limited because of a lack of demand and a lack of standards for good strategy. In our search for efficacy, efforts are skewed towards technical and programmatic, as opposed to strategic, responses. This is reinforced by an incentive structure that rewards bad strategy and fails to recognize good strategy. In an industry such as software development, which encountered complexity decades ago, a set of distinctions and standards have developed forming a practice base which is fit for purpose. This has yet to happen for philanthropy.

## THE FUTURE OF PHILANTHROPY

How will history judge this period of extraordinary wealth creation and philanthropic largess? Will this be viewed as the time of lost opportunities with profound disappointment that we squandered our last chance to steer clear of the cliff that lies ahead? Or, will this period of human history be celebrated as a time when humankind got it right? When we pulled up short of the cliff edge and set off on a new course that assured sustainable, equitable, satisfying and meaningful life chances for most, if not all.

Given the current course we are on, broad shifts toward competencies required to deliver good strategy are highly unlikely to occur through natural evolution of philanthropic practice. Instead, we are likely to see our social contexts continue to devolve, spurring more ineffective investments that address a smaller and smaller percentage of symptoms. This is one scenario for the future of philanthropy.

We can also envision another path that charts a course of discovery, led by philanthropy to learn with fresh eyes new approaches to deploy philanthropic capital to solve complex challenges.

We propose, in essence, a “philanthropy lab” that intentionally aspires at suspending ineffective practices, instead embracing practices that have demonstrated efficacy to tackle complex challenges. One complex challenge, or several, are selected and the participating funders become immersed in these new practices, learning and embodying new capabilities while iterating solutions together. Others, interested, but not convinced, are invited to the balcony to view the design and deployment of strategy and actions that unfold.

We need a space to experiment with new practices fit for today’s struggle. Like ending cancer, or creating ecospheres on Mars, our need is for a place to experiment, try, fail and learn.

The choice is ours. While we still have time.