

Foundation Strategy Development: Emergent and Systems Approaches

Presented by **Melinda T. Tuan**
to **Philanthropy Northwest, Social Venture Partners,**
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on Nonprofits & Philanthropy

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Overview and Purpose

of assessing foundation strategy development

- **Foundations growing and maturing**
- **Initial strategies more “product-focused”**
 - Building affordable housing units
 - Supporting individual charter schools
 - Funding specific programs run by nonprofit organizations
- **Potential for strategies to become more “systems-focused”**
 - Catalytic of long-term sustainable changes
 - Emphasis on strengthening entire systems



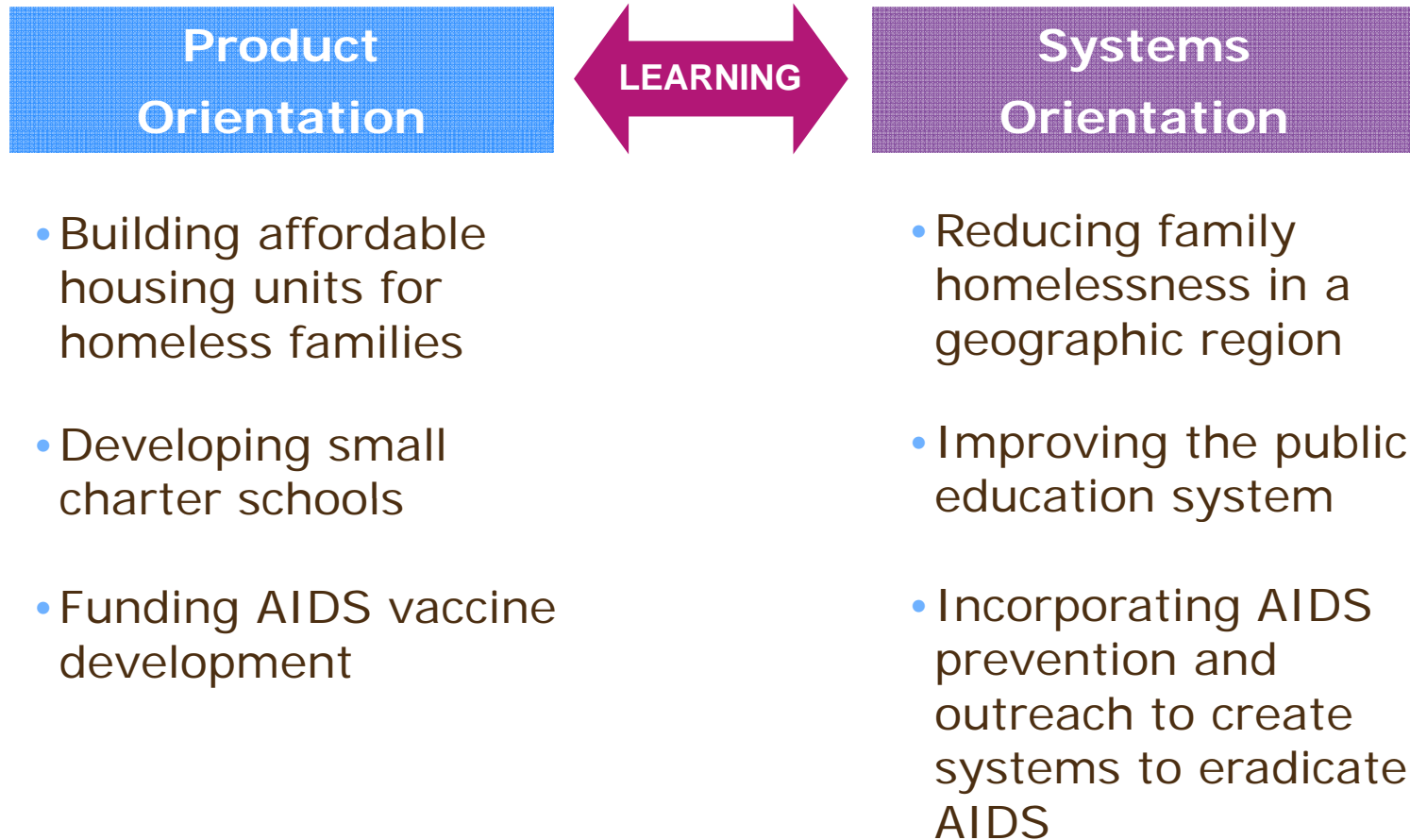
Background Research

on strategy development

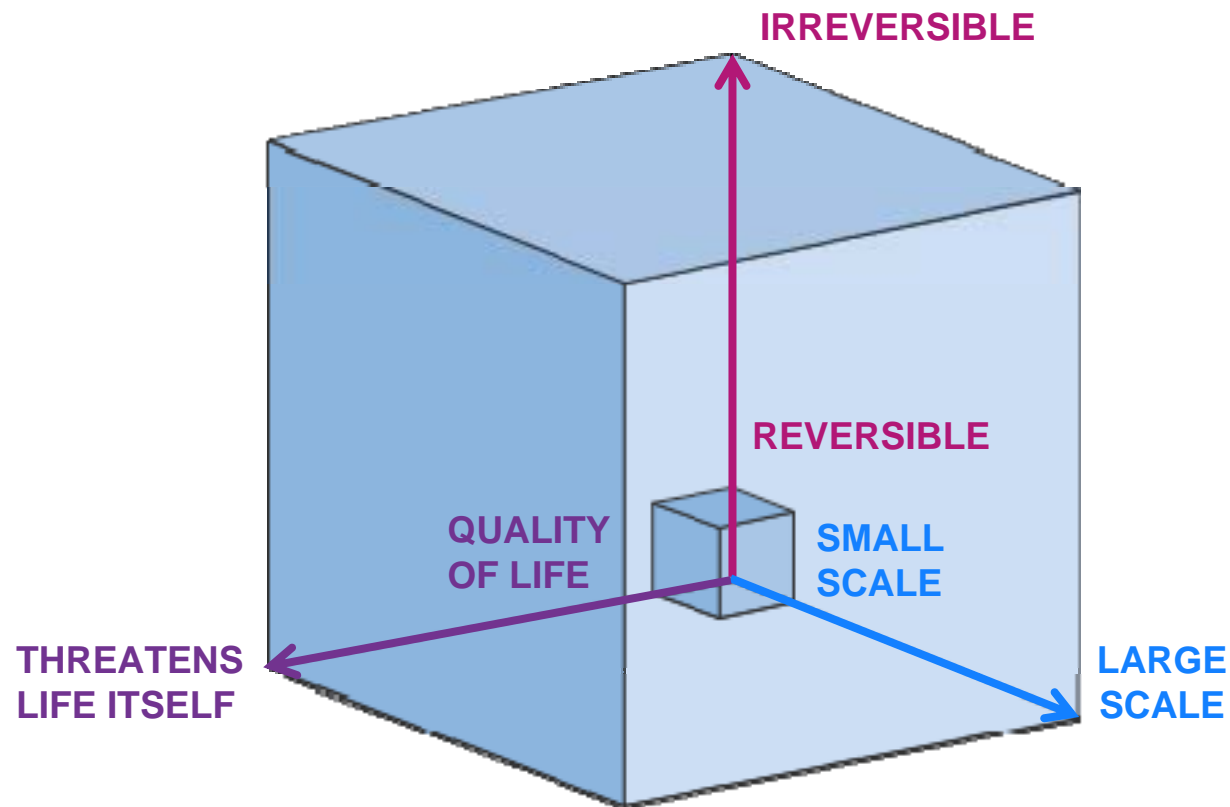
- **Interviewed 10 leading experts in for-profit, nonprofit, and global health strategy development**
 - Peter Schwartz, *Global Business Network*
 - Gregory Dees, *Fuqua School of Business, Duke University*
 - Peter Salama, *Chief of Health, UNICEF*
- **Read and summarized 50-plus expert-recommended books and articles on for-profit, nonprofit, public sector, and global health strategy development**
- **Synthesized findings and implications**

Natural Progression

in foundation strategy



Small Cube and Large Cube foundation strategies



Source: Brest, Paul and Hal Harvey. "Money Well Spent: A Strategic Plan for Smart Philanthropy." *Bloomberg Press*. 2008, pp. 21–36.



Systems Strategy Development to alter social systems

- Incorporate the broader environments in which organizations operate
- Does not preclude product-oriented strategies
- Effective strategies will have both product and systems approaches
- Need to be clear about where a problem is embedded in larger system and what it will take for an innovation to be adopted throughout the system



“You need to be strategic about where you intervene and be sensitive to how your interventions might undermine other areas.”

– Greg Dees

Source: Gregory Dees, telephone interview with Melinda Tuan, 1.31.08.



Why Systems Strategies are relevant to foundations

For-profit Sector

- Maximize profits
- Well-defined industries and easy-to-identify players
 - Competition
 - Suppliers
 - Distributors
 - Customers
- Significant capital



Less Complex

Non-profit Sector

- Achieve social change
- Ill-defined system with rapidly evolving players and environment
 - Political
 - Economic
 - Physical
 - Cultural
- Significantly undercapitalized



More Complex



The Range of Problems in Life

SIMPLE	COMPLICATED	COMPLEX
Baking a Cake	Sending a Rocket to the Moon	Raising a Child
The recipe is essential	Rigid protocols or formulas are needed	Rigid protocols have limited application or are counter-productive
Recipes are tested to assure easy replication	Sending one rocket increases the likelihood that the next one will also be a success	Raising one child provides experience but is no guarantee of success with the next
No particular expertise is required, but experience increases success rate	High levels of expertise and training in a variety of fields are necessary for success	Expertise helps but only when balanced with responsiveness to the particular child
A good recipe produces nearly the same cake every time	Key elements of each rocket MUST be identical to succeed	Every child is unique and must be understood as an individual
The best recipes give good results every time	There is a high degree of certainty of outcome	Uncertainty of outcome remains
A good recipe notes the quantity and nature of the "parts" needed and specifies the order in which to combine them, but there is room to experiment	Success depends on a blueprint that directs both the development of separate parts, and specifies the exact relationship for assembly	Can't separate the parts from the whole; essence exists in the relationship between different people, different experiences, different moments in time

Source: Westley, Frances, Brenda Zimmerman and Michael Quinn Patton. *Getting to Maybe: How the World is Changed*. Canada: Vintage Canada. 2006. p. 9.

Examples of Complex Problems

- Providing pure drinking water in Mali, Africa
- Improving public education in the United States
- Ending family homelessness in Washington State



Identifying the problem you want to solve is the first step; recognizing the complexity is the second step; a blend of both product and systems strategies are needed in order to achieve sustainable change

Ecosystem Mapping

Question 1:

What *players* in the ecosystem do or potentially could influence your ability to create and sustain the intended impact?

- Resource providers (financial, human, knowledge, networking, technology, brokering intermediaries)
- Competitors (for resources and beneficiaries)
- Complementary organizations and allies
- Beneficiaries and customers
- Opponents and trouble makers
- Affected or influential bystanders

Source: Bloom, Paul N. and Gregory Dees. "Cultivate Your Ecosystem." *Stanford Social Innovation Review*. Winter 2008. p. 51.



Ecosystem Mapping

Question 2:

What *environmental conditions* within the ecosystem do or potentially could influence your ability to create and sustain the intended impact?

- Politics and administrative structures
- Economics and markets
- Geography and infrastructure
- Culture and social fabric

Source: Bloom, Paul N. and Gregory Dees. "Cultivate Your Ecosystem." *Stanford Social Innovation Review*. Winter 2008. p. 51.



Systems Strategy Development

- Develop a robust model that is capable of thriving in different environmental conditions

OR

- Choose the different environments carefully to assure a better fit with the model

OR

- Adapt your model to accommodate the different environmental conditions



“Social ecosystems are by their nature complex, which makes it difficult to predict all of the consequences of any significant intervention. Because of this, creating systematic change is often an experimental and learning process.”

- Bloom and Dees

Source: Bloom, Paul N. and Gregory Dees. “Cultivate Your Ecosystem.” *Stanford Social Innovation Review*. Winter 2008. p. 51.



Systems Strategy Development

key questions

1. What are the places where you will implement this strategy?
2. What is the landscape analysis of the players and environmental conditions that will help you identify where you're going to make your philanthropic bet for catalyzing social change?
3. Based on the landscape analysis, what is the clear choice for your philanthropic involvement? What are the few things you are going to invest in, what are you not going to invest in, and why?
4. What is the well-crafted, robust learning agenda that will help you measure your philanthropy's progress and impact, understand how the landscape might be changing, and identify consequences your philanthropy is producing along the way?

Questions for Discussion and Reflection

- **What types of problems are you trying to address?**
- **Are these simple, complicated, or complex problems?**
- **Choose one complex problem**
 - Describe the complexity of the problem
 - Map out the system in which the problem resides
 - What is your current strategy to address this problem?
 - What parts of the ecosystem do or potentially could influence your ability to create and sustain the intended impact?
 - Players
 - Environmental conditions
- **Assess whether incorporating a systems approach to change might be appropriate for your philanthropy**

Recommended Reading

- Bloom, Paul N. and Gregory Dees. "Cultivate Your Ecosystem." *Stanford Social Innovation Review*. Winter 2008.
- Ghemawat, Pankaj. "Distance Still Matters: The Hard Reality of Global Expansion." *Harvard Business Review*. September 2001. pp. 2 – 12.
- Rogers, Everett M. *Diffusion of Innovations. Fifth Edition*. New York: Simon and Schuster. 2003.
- Brest, Paul and Hal Harvey. "Money Well Spent: A Strategic Plan for Smart Philanthropy." *Bloomberg Press*. 2008, pp. 21–36.



Thank You

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