

# Embracing complexity

Towards a shared understanding of funding systems change



Facilitation partners:

McKinsey  
& Company





# Preface

As we stand on the threshold of an epochal decade, we are confronted with an urgent need to find, fund, and support transformative solutions at a far greater pace than ever. To that end, Ashoka and McKinsey invited additional partners to join their annual collaboration to co-create a shared perspective: Catalyst 2030, Co-Impact, Echoing Green, the Schwab Foundation for Social Entrepreneurship, the Skoll Foundation, and SYSTEMIQ. Together, we seek to reflect on the sector's insights to the question: how do we get better at funding and supporting systems change?

This report is the product of a collaboration between three groups that have mostly addressed the topic individually: funders and intermediaries in the social sector and the systems change leaders they aim to support. As a group of publishing partners, we are united in the conviction that solving the most complex challenges humankind faces today requires both a systems change approach and collaborative action by all stakeholders. We further believe that many funders, including those contributing to this report, need to evolve their funding practices to better support and accelerate the corresponding efforts of practitioners in collective systems change efforts.

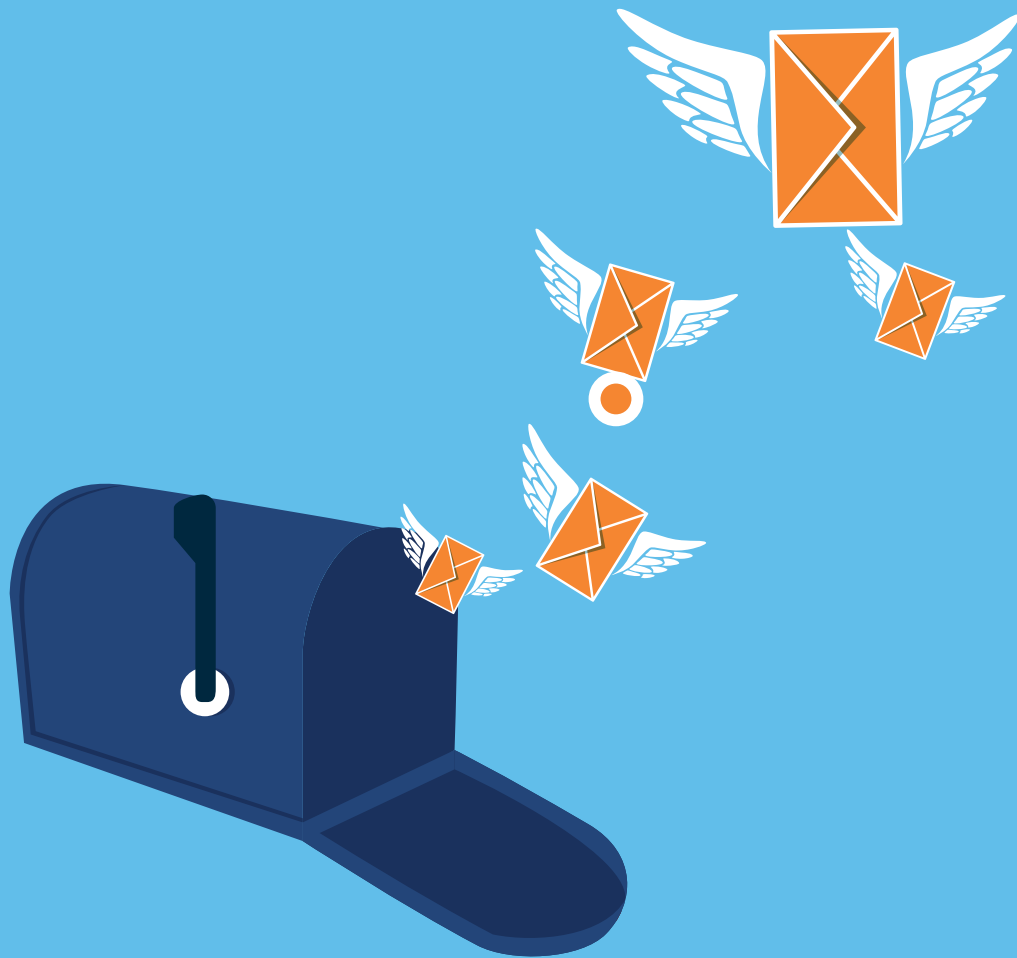
With this report, we aim to reach those in the funding community who want to evolve their current model to invest in systems change approaches. The ideas we propose are not absolute truths; rather, they are the first few steps in our own collective journey to learn about and embrace funding practices that are aligned with systems change. They build on a broad foundation of existing literature on the concept of systems change and how it can be supported, as well as the lived experiences of more than 200 individuals who contributed to this report. Our hope is that by distilling their strategies and processes, this report will point to the transformation needed in the "system" of funding systemic change itself. We invite the funding community – including philanthropists, foundations, impact investors, corporate donors, government agencies, and multilateral organizations – to fundamentally rethink and redesign the way systems change approaches are being supported.

The journey will continue well beyond this report. The funders who have contributed acknowledge that they themselves are not perfect, and must do the hard work needed to embrace many of the principles and recommendations proposed in this report. We humbly ask you to join us in this journey. Together, we can change the system of funding transformative change, so that humanity is better equipped to address the urgent challenges we face.



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# Executive summary

**Significant financial resources are dedicated to solving humanity’s most pressing problems.** 22 of the largest philanthropic foundations worldwide provided more than USD 6.1 billion for development work in 2017<sup>1</sup>; in that same year, total development assistance from public and private actors in the 30 members states of the OECD-Development Assistance Committee (DAC) amounted to USD 434 billion.<sup>2</sup> However, solving these problems requires long-term support that goes beyond activity-based funding and approaches that tackle the root cause – i.e., approaches that aim to change systems. To make optimum use of the funds available, it is necessary to introduce the systems change approach to organizations involved in the sector and to share best practice insights.

**This report is therefore a collaborative effort of funders, intermediaries, and systems change leaders** who aim to send a signal to the social sector funding community – including philanthropists, foundations, impact investors, corporate donors, government agencies, and multilateral organizations – that current practices need to evolve to better support systems change leaders.

**Systemic challenges require systemic answers, but currently the dominant funding practices are ill-suited to support them.** Systems change leaders often struggle because current funding practices are often built to support short-term projects with clear, measurable results rather than collaborative, evolving approaches to create lasting change. 55 percent of the systems change leaders we surveyed disagreed when asked whether their funders provide sufficient support for systems change work.

**Short funding horizons, restricted financial resources and funders’ interference with initiatives pose major challenges.** The majority of systems change approaches is expected to need more than five years of funder support to achieve their goals – but few funders commit for the long term. Moreover, financial support usually comes with many restrictions on how it can be used: 72 percent of the systems change leaders we surveyed reported receiving less than 25 percent unrestricted funding. Finally, funders seem to actively discourage innovative approaches: 87 percent of the systems change leaders reported that they had to adapt their initiatives to comply with funder requirements – 43 percent of all systems change leaders reported having to make major changes.

**There are five principles and resulting practices that funders can adopt to better support systems change work.** We distilled and validated these principles through on the existing literature on funding systems change, more than 60 interviews with funders, intermediaries, and systems change leaders, and a survey of over 110 systems change leaders. We offer concrete recommendations for how the five principles we propose can be put into practice.

- **Embrace a systems mindset** by being clear about the systems you want to change, incorporating systems change into your DNA, and actively looking for funding opportunities
- **Support evolving paths to systems change** by funding systems leaders with transformative visions of improved systems rather than projects, investing in learning and capability building and encouraging collaboration among systems change leaders

- **Work in true partnership** by acknowledging and working against power dynamics, providing support that fits systems change leaders' needs, and being mindful of their limited resources
- **Prepare for long-term engagement** by being realistic about the time it takes to achieve systems change, acknowledging that the path of the initiatives will change along the way and encouraging realistic ambitions
- **Collaborate with other stakeholders** by aligning with other funders, building networks for systems change leaders, and leaving the leading role to systems change leaders.

**A report is not enough to change the system of funding.** While we acknowledge that a report is certainly not enough to change the system of funding by itself, it is a first step of a cooperation between funders, intermediaries, and systems change leaders. What started with an enthusiastic acceptance of an opportunity to join a collaboration between Ashoka and McKinsey has become the foundation of a critical and larger initiative in shaping the field of systems change. We invite interested funders to join our discussion and share their experiences on how to fund systems change. Only together, we can reach the ambitious but urgently needed solutions for humanity's most pressing problems.







**Our partners**

## Ashoka

“There is nothing more powerful than a systems changing idea in the hands of a social entrepreneur,” says Bill Drayton

This is the basis of Ashoka’s founding in 1980. And he elaborated further, “Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry.”

For 40 years, Ashoka has been raising funds to identify and support social entrepreneurs across the globe who work at the systems change level – i.e., they address the root causes of a social problem and build towards a new world. By 2019, more than 3,700 Ashoka Fellows in more than 90 countries have grown their impact via Ashoka’s financial and network support. Every year more than 100 new social entrepreneurs join our network – carefully and rigorously selected from across fields like education, health care, economic development, human rights, and environmental protection.

Ashoka has learned a great deal about patterns and the mechanics of successful social change, as we have worked alongside these Fellows. We understand that transformative impact comes from altering interactions, norms, policies, and markets - by transforming systems, and, ultimately, mindsets, culture, and frameworks.

Social change requires broad civic participation. Successful social entrepreneurs do not solve problems for their constituencies. Instead, they strengthen civil society: They mobilize people from all walks of life, and give them roles in creating the solution and shaping the new norm.

To achieve this, they lead differently: They enable citizens to come together across difference with empathy. They enable the emergence of teams of teams that collaborate across institutions, fields, sectors, and borders. They build trust – without which social change won’t happen.

Successful social entrepreneurs build towards a society where everyone thrives, is powerful, engaged, and can contribute as we are confronted with weakening institutions and a fraying social fabric. In that world, Everyone is a Changemaker.

Systems change requires patience; it requires collaborative intent and action; it requires an ability to see the world differently and through the eyes of another. It requires building new mindsets, competencies, and trusted spaces for changemakers. We are pleased to partner on this report to offer a starting point for us all to shape the philanthropic sector to align its intentions better to deliver on the promise of systems change.

## **Catalyst 2030**

At the current rate of progress, the Sustainable Development Goals (SDGs) will only be achieved by 2094 according to the Social Progress Index – 64 years after the deadline set by the UN. The effects of this delay will be devastating for all 17 goals, especially the climate. In response to this impending crisis, Catalyst 2030 was conceived.

Transformative solutions exist and they are happening around the world. These lie in the individual works of leading social entrepreneurs and innovators. According to the Schwab Foundation Impact Study, a mere 130 entrepreneurs collectively reach 662 million people, providing many of the rights to which people are entitled under the SDGs. The power of their combined action and their partnership with other stakeholders has the power to create impact at huge, global scale, thereby catapulting the SDGs forward.

Together, these leading social entrepreneurs have formed Catalyst 2030, a collaborative movement of joint action along with key funders and intermediaries. Its aim is to build a broad, multistakeholder movement to change systems and make a significant dent in the climate crisis, reduce poverty and having a positive impact on the lives of many.

## **Co-Creators Catalyst 2030**

Aflatoun International, Agenda for Change, APOPO, Ashoka, Associação Saúde Criança, Barefoot College International, B-fit, Bioregional, Blue Ventures, BoP Hub, Child and Youth Finance International, Child Helpline International, COMACO (Community Markets for Conservation), Conservation for Community Markets (COMACO), CREN – Centre for Nutritional Recovery and Education, Crisis Action, Daily Dump – PBK Waste Solutions Pvt Ltd, Dia Dia, Digital Opportunity Trust, Dimagi, Dream and Dream, Echoing Green, Enda inter-arabe, Ethno-Medical Centre, Euforia, EYElliance, First Book, Friendship, Fundación Capital, Fundación Mi Sangre, Fundación Paraguaya, Glasswing, Goonj, Greenhope, Groupe SOS, Harvard Kennedy School, Harvard University, High Resolves, Human Heart Nature, Independent advisor (Former “Inveneo and Everylayer/Surf”), Industree Foundation, Institute for Social Entrepreneurship in Asia, IPE – Institute for Ecological Research, La Grande Terre, Landesa, Leadership Victoria, Lifeline Energy, Livox, Mozaik, MzN International, Nafham, Novartis, Nuru Energy, One Family Foundation, Operation ASHA, Oxford (Skoll centre), Oxford (Tahina), Peek Vision, PlanetRead, Play Verto, Poverty Stoplight, Recode, Riders for Health, Rishi Valley Institute for Educational Resources, Schwab Foundation for Social Entrepreneurship, Shonaquip SE, Sidai Africa Ltd, Silulo Ulutho Technologies, Skoll Foundation, Solar Sister, Stir Education, Street Football World, Study Hall Educational Foundation, Swayam Shikshan Prayog, TAAP, TechMatters, The Clothing Bank, The Front Project, The Wellbeing Project, Tostan, True Footprint, Universidade de Brasília (UnB), Vision Spring, Water For People, Waves for Change, Whiz, Kids Workshop, Whole Child International, Wilderness Foundation, World Economic Forum, World Toilet Organization, Worldreader, Yoti

## Co-Impact

Co-Impact is pleased to endorse this report, which offers helpful working principles and recommendations for funders seeking to have greater impact in the world. As a philanthropic collaborative created specifically to support systems change work, we are keen to partner with others who are also thinking about this important topic and seeking to influence more funding towards systems change.

We know that systems change is complex: no single social change leader or organization can achieve it alone, and no single funder can support it alone. We believe that systems change requires an effective coalition of key actors – most often including government to leverage the mandate, networks, and significantly larger resources that government brings to solving challenges at scale – and that philanthropy has the potential to have far greater impact by supporting this type of work. This report provides an honest reflection of the complexity and the iterative process that is inherent in taking on the major structural challenges of our time, while pulling together the knowledge and experience of organizations on the ground to make practical recommendations that we hope others can also benefit from and build upon.

At Co-Impact, we see program partners leading the work as the drivers and architects of the change they seek and our role as supportive, not directive. In establishing clear processes rooted in the principles of listening to our partners, and the communities they serve, we aim to reduce traditional burdens related to issues such as applying, monitoring, learning, evaluation and reporting, in order to build true partnerships based on the needs of systems change leaders (principle 3), thereby also enabling time and space for leaders to invest in organizational strengthening and building the partnerships needed to execute their visionary ideas (principle 2). In supporting these initiatives, we, along with our funding partners, share the view that working collaboratively is a core component of philanthropy for systems change (principle 5), and an important means to the end of maximizing philanthropic support such that millions of people experience meaningful and sustained improvements to their lives.

*Co-Impact brings together philanthropists, foundations and other funders to support systems change efforts in low- and middle-income countries around the world, in the areas of education, health, and economic opportunity, and with a particular emphasis on gender and inclusion. [www.co-impact.org](http://www.co-impact.org).*

## **Echoing Green**

The conversation that this report represents is an important one; engaging and guiding funders to fundamentally rethink and shift the way they deploy resources for social change are critical to stemming and reversing some of our key societal and environmental challenges. For more than 30 years, Echoing Green has been on the front lines of discovering emerging social entrepreneurs and investing deeply in the growth of their ideas and leadership. We have built a broad, dynamic ecosystem to support these leaders as they solve the world's biggest problems. Critical to this work that lives at the intersection of social justice and social innovation is a deep understanding of the power of collective action. Social movements that seek to both transform and heal systems that harm so many provide important lessons for us on how to proceed and how to put collaboration, partnership, learning and honest conversations about power at the center. If we commit to making this road by walking together in an authentic and generous way, we will not only ensure that more funding flows towards systems change efforts but also reshape the social impact landscape for generations to come.

## **Schwab Foundation for Social Entrepreneurship**

The Schwab Foundation for Social Entrepreneurship, the sister organization of the World Economic Forum, was established with the realization that it took decades for proven models of social innovation to enter the mainstream, through shaping markets or eventually gaining government support. Social entrepreneurs operated in relative obscurity, with little access to high-level decision-makers who can change systems influenced by their work.

Despite reaching significant organizational scale and level of impact, our community encouraged us to help them navigate the complexity of the challenges and the entrenched nature of the power and dynamics that hold them in place. We recognize the need for systemic approaches, working hand in hand with others and we see the potential of the World Economic Forum platform to foster coalitions and multi-stakeholder approaches to influence and engage world leaders and decision-makers.

This report represents an important continuation of the evolution of the two-decade journey of the Schwab Foundation: from a partnership with Harvard Kennedy School on Leadership for Systems Change to curating an intersectoral community of social innovators in business and government through our new awards. While social-purpose organizations in civil society and social entrepreneurship explore systemic approaches, the funding sector is starting to find ways to support such efforts.

We are all part of the ecosystem seeking to effect positive change. An important step is for us to stand alongside other partners as this dialogue, reflection and practice of systemic work evolves, bringing our complementary strengths together to tackle the challenges before us.

## **Skoll Foundation**

For two decades, the Skoll Foundation has supported social entrepreneurs working to drive transformative social change. By partnering with the people and programs already bringing positive change around the world, we support them to extend their reach, deepen their impact, and fundamentally improve society.

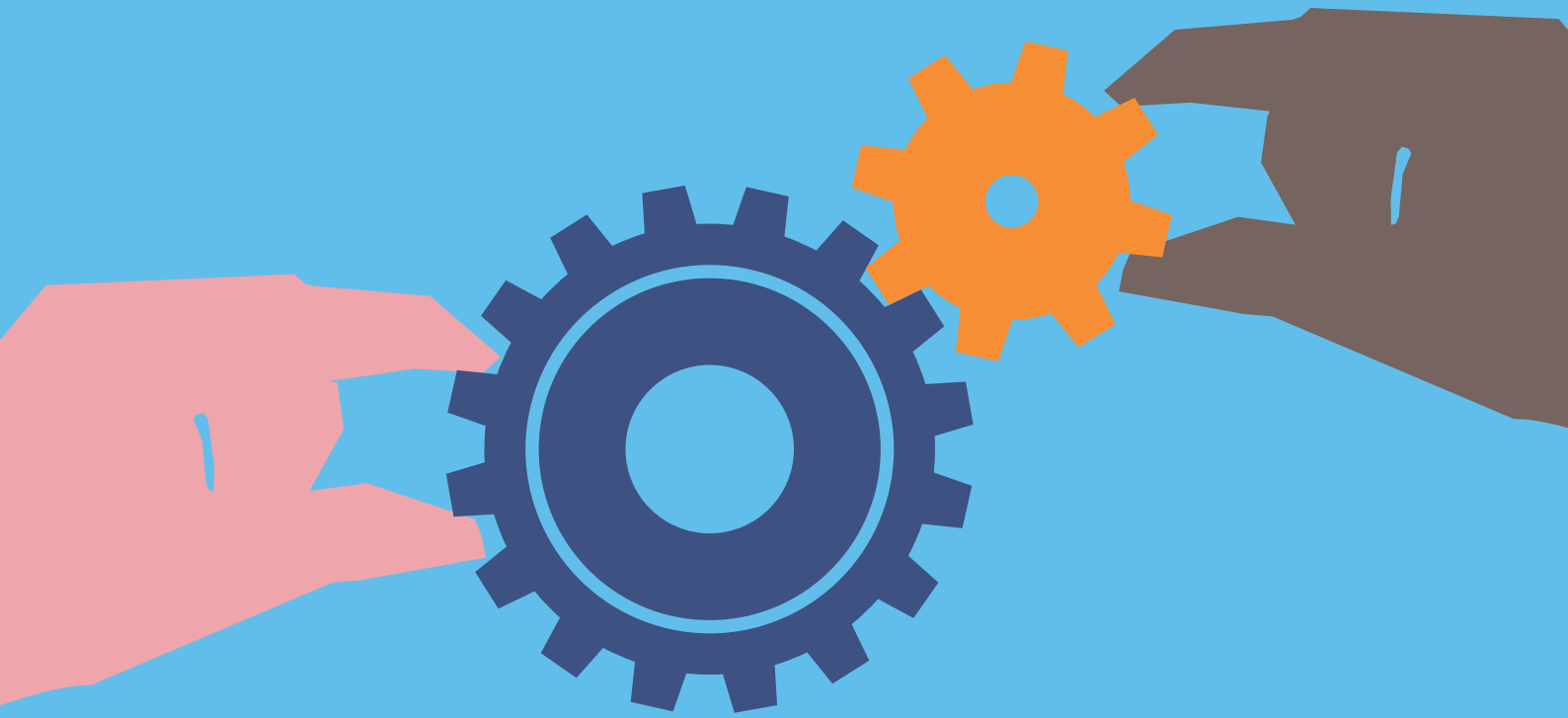
Changing systems requires collaboration and sharing lessons learned across organizations, sectors, and silos. With that spirit in mind, we welcomed this opportunity to engage in substantive discussions with our peer funders and practitioners on how to better support systems change efforts.

The urgency of our moment – both the magnitude of the crises we face and the limited timeline to avert them – cannot be overstated. Global problems like climate change, inequality, and weakening democratic institutions are worsening and demand accelerated solutions. While many of the practices that have historically guided philanthropy have constrained systems change efforts, social entrepreneurs have persisted in driving systemic impact at scale. This report offers principles and recommendations to guide the funding community toward a different, more productive direction. While the provocations in this report reflect a bright vision for the sector, hard work remains – self-reflection, carving out time, influencing others, and changing our own behaviors.

At the Skoll Foundation, many elements of the principles described in this report are part of our core model – such as offering unrestricted funding and a range of non-financial support to our partners (Principles 2 and 3), and aligning with other funders through formal and informal means to champion progress sparked by systems change leaders (Principle 5). As we continue to listen, learn, and embrace other funding best practices, we look forward to engaging with others who are on a similar path.







# **Our facilitation partners**

## McKinsey

For several years now, McKinsey has successfully collaborated with Ashoka on projects in the social sector. Thus, when the opportunity arose for us to join the group of engaged funders, intermediaries, and systems change leaders, we very happily accepted the role offered by the initiative's partners, becoming one of the study's two facilitating partners. There are three key reasons for this decision:

- Together with our partners in this project, we believe that – as traditional funding patterns for linear change projects face limits regarding complex systems change – the sector's current big innovation challenge is having to rethink the way systems change is funded. Therefore, we are passionate about both embarking on a shared understanding of funding systems change and “mainstreaming” the five-principles framework discussed in the report.
- As a global management consulting firm, we work with leading organizations across the private, public, and social sectors to make distinctive, lasting, and substantial improvements in their performance. To this end, we aspire to get to the real issues and make practical recommendations. Given what we consider the scope and scale of the five-principles framework discussed in this report, we are very confident that contributing to establish these principles as signposts on our journey together to change the way systems work is facilitated and funded deserves our full support.
- We are highly convinced of the overall setup and approach of the study. Over the course of the investigation, the perspectives, opinions, and guidance of individual and institutional funders, systems change leaders, and intermediaries were systematically recorded and analyzed via more than 60 structured interviews and our survey with 113 systems change leaders. As a result, the report offers a concrete perspective on what a dynamic transition path towards embracing the complexity of funding systems change could look like. Furthermore, it offers many helpful recommendations and provides examples of how successful funding systems change work happened.

With these ambitions, goals, and benefits in mind, we invite you to turn the page and learn more about the challenge of and rewards resulting from getting systems change funding right. Join our partners in this initiative and us in our journey towards a shared understanding of funding systems change.

As you read the report, we also urge you to consider where and how you can best contribute to a new era of embracing complexity and achieving breakthrough impact on SDGs and, ultimately, systems change.

## SYSTEMIQ

Humankind is at a critical point of its development. We are increasingly overstepping the planetary boundaries in various areas, most notably the emission of greenhouse gases. We therefore need to fundamentally change the way in which we create wealth and well-being for everybody within a growing population.

Making the case for and initiating systems change often requires an outside impulse before a larger momentum develops from within. Funding plays a critical role in catalyzing this process. We were honored to help develop this joint report as a facilitating partner.

SYSTEMIQ's mission is to catalyze good disruptions in economic systems that will speed the achievement of the UN Sustainable Development Goals (SDGs) and the Paris Agreement. We pursue our mission through a unique portfolio of activities which include:

- **Building coalitions.** We create platforms to convene influential stakeholders around the transformation of specific systems, with the aim of changing the narrative and catalyzing action.
- **Advising pioneers.** We work with institutions (companies, nonprofits) to embed systems change within their strategy and align their activities to the SDGs and Paris targets.
- **Accelerating business innovation.** We identify, incubate, and develop disruptive business opportunities that will thrive in an economic system aligned with the SDGs and Paris targets, including a deployment of our own capital.
- **Catalyzing large-scale capital.** We work with funds, asset managers, and banks to deploy capital for bigger impact. We change investment models to tap into the opportunities created by the SDGs.

We are convinced that the results of this report will help systems change thinking take root in the funding community. It can also serve as a basis for investigating additional topics, such as the right processes to shape strategies for systems change and the definition of performance frameworks to measure progress and success in more detail.





# Introduction

In recent years, the conversation in the social sector has reflected increasing interest in supporting longer-term, more transformative changes to tackle the root causes of societal problems – i.e., systems change. This emerging shift in emphasis has implications for many aspects of social sector work, including funders’ own practices as they aim to achieve meaningful and lasting impact.

### **On terminology**

We have aligned on the following key definitions for the concepts and actors we refer to.

**Systems change** means:

- addressing root causes rather than symptoms
- by altering, shifting, and transforming
- structures, customs, mindsets, power dynamics, and rules
- through collaboration across a diverse set of actors
- with the intent of achieving lasting improvement of societal issues
- on a local, national, and global level.

**Systems change leader** refers to any individual or organization driving systems change.

**Funder** refers to any individual or organization contributing resources to systems change leaders. These resources may include financial support as well as nonfinancial support, such as technical assistance or access to networks.

**Intermediary** refers to organizations supporting systems change leaders that themselves rely on funder support, thus occupying a position between funders and systems change leaders. For better readability, the term “funder” in the following chapters is understood to include intermediaries, too.

Although the concept of systems change has only recently gained recognition among a critical mass of funders,<sup>3</sup> many organizations already embrace systems change work or are interested in evolving their current funding practices towards better supporting systems change approaches. The goal of this report was to collect and distill the insights and lessons we have discovered through our collective journeys so far. We offer these to other organizations, including philanthropists, foundations, impact investors, corporate donors, government agencies, and multilateral organizations that want to evolve their current approach to funding in a way that positions them to invest in systems change efforts.

There is already a range of existing reports and other sources that offer advice for funders interested in supporting systems change work, some of them written by funders and others by intermediaries and systems change leaders themselves.<sup>4</sup> We believe that what sets this report apart is the unique collaboration between organizations representing all three groups. The aim of this collaboration is to arrive at a joint, holistic outlook on how systems change efforts might be funded, drawing on the knowledge that others have shared before us. In the spirit of our fifth proposed principle (“Collaborate with other stakeholders”), we hope that this effort inspires others to explore and capture opportunities for collaboration.

This report begins by making the case for how systems change approaches can help us address the complex, pressing challenges humanity is faced with. It then proposes five principles outlining how systems change efforts might be funded, drawing on existing literature and qualitative and quantitative research. This research involved more than 50 interviews with funders, intermediaries, and systems change leaders and generated over 110 survey responses from systems change leaders (see text box on methodology). Finally, for each principle, it provides suggestions that are relevant to both smaller and larger funders on how to change funding practices to better support systems change work.

### **Methodology**

We used a quantitative and qualitative mixed-methods approach in the development of this report, involving:

- A review of existing reports and literature on systems change and how funders can support such a change
- An online survey of more than 100 systems change leaders across five continents who are supported by partner organizations and other funders
- In-depth interviews with selected systems change leaders on how funders’ adherence to the proposed principles has affected their work
- 60 semi-structured interviews with over 30 organizations that support systems change leaders, representing both funders and intermediaries.

We first conducted an initial literature review to identify major themes regarding the funding of systems change efforts. From this, an initial version of the five principles emerged. We then conducted the online survey as well as in-depth interviews with funders, intermediaries, and systems change leaders to validate and detail these principles. These insights from practitioners were corroborated with further literature review and desk research. The appendix provides further details on our methodology.



## A quick guide for the reader

Since readers may be at different points in their understanding of funding systems change, we would like to offer a short guide to the elements most relevant for each level.

- **For those starting to learn about funding systems change.** Work your way through the entire report to learn about how systemic approaches can help us tackle complex challenges and which shifts in funding practices could support these approaches.
- **For those interested in how our principles are informed by different stakeholders in the field.** Focus on the chapter “Five principles for funding systems change” and the recommendations on further reading in the appendix.
- **For those in search of concrete suggestions to incorporate into their funding practices.** Look for the recommendations lists that are located at the end of each subchapter detailing the proposed principles.



# The case for funding systems change

In many ways, this moment in human history is characterized by unprecedented progress: decreases in violence, declines in poverty rates, increases in education, and improvements in health. At the same time, we are facing many problems of great complexity, some of which have reached enormous gravity. The UN's Sustainable Development Goals (SDGs) as a public agenda represent a rather comprehensive collection of these challenges, ranging from extreme poverty and social inequality to climate change and food and water insecurity.

As recent reports have shown, the international community is far from achieving the SDGs by 2030,<sup>5</sup> despite a considerable amount of activity being dedicated to them: if we progress at our current rate, it would take until 2094 to achieve these goals.<sup>6</sup> The secretary-general of the United Nations has called for “a much deeper, faster, and more ambitious response” in the UN's 2019 report on SDG achievement.<sup>7</sup> Put simply, time is running out and there is urgent need for action.

To provide just a few examples:

- 736 million people still live in extreme poverty (on less than USD 1.90 per day) – 413 million of them in sub-Saharan Africa alone.<sup>8</sup> Additionally, climate change will have severe consequences for the African continent, causing droughts and resource scarcity, which could result in social conflict.<sup>9</sup>
- Only 12 percent of the world's plastic waste is currently being recycled. If plastic consumption continues on its current trajectory, the volume of global plastic waste will almost double from 260 million tons per year in 2016 to 460 million tons by 2030.<sup>10</sup> If we don't act now, there will be more plastic than fish (by weight) in the ocean by 2050.<sup>11</sup>
- Female representation in parliaments around the world is currently at roughly 25 percent. Women represent 39 percent of the overall workforce but only 27 percent of managerial positions.<sup>12</sup> Achieving gender equality would not only be an achievement in and of itself, there is evidence that it would also more generally accelerate the attainment of the SDGs.<sup>13</sup>

Unfortunately, humanity's most pressing problems are extremely complex and deeply intertwined,<sup>14</sup> complicating the task of addressing them. Indeed, the prevalence of and interdependencies between these problems indicate that these are systemic challenges. Thus, to accelerate the achievement of the SDGs, systemic approaches are needed.

**“It is abundantly clear that a much deeper, faster, and more ambitious response is needed to unleash the social and economic transformation needed to achieve our 2030 goals.”**

— António Guterres,  
Secretary-General of the United Nations

Let us look at SDG 13, “Take urgent action to combat climate change and its impacts,” as an example. Indeed, the global atmosphere in which climate change plays out is itself a system. It is affected by and affects other systems, such as global travel and transportation flows, agricultural production and consumption, or local ecosystems. Any action we take to combat climate change will require changes in other contexts, which may again have consequences for other systems.<sup>15</sup> Systemic challenges require systemic answers.<sup>16</sup>

**These answers come in the form of a concept often referred to as “systems change.”**

Systems change approaches address root causes rather than symptoms by altering, shifting, and transforming behavioral structures, customs, mindsets, power dynamics, and rules, with the intent of solving societal problems – with lasting effects on a local, national, and global level.<sup>17</sup> A key aspect of systems change efforts is collaboration: true systems change occurs when multiple players across sectors, disciplines, and social groups work together towards a common goal. Systems change itself is a neutral concept, as a system can change in many different directions, and a gain for some can be a loss for others.<sup>18</sup> For instance, a shift towards more diversity in leadership positions will result in less representation for currently empowered groups, and achieving sustainable resource use will require changes in lifestyle.<sup>19</sup> This report assumes that the intent of systems change approaches is to have a positive impact on people and/or the planet in terms of equity, justice, and sustainability,<sup>20</sup> as represented in public agendas such as the SDGs.

#### How is systems change work different?

- It addresses **root causes rather than symptoms** and thus tends to take a multidisciplinary, long-term approach.
- It aims to **solve societal problems** with **lasting effect**, meaning that it works towards a new, stable situation<sup>21</sup> that may make a systems change leader’s work obsolete.<sup>22</sup>
- It does this by **altering, shifting, and transforming a system’s characteristics**, ranging from the explicit (policies, practices, and resource flows) to the semi-explicit (relationships and power dynamics), to the implicit (mental models).<sup>23</sup>
- It results in **different forms of systems change**, ranging from adoption by other entities, such as the government, to a mindset shift within society.<sup>24</sup>
- It may use **evolving approaches** as systems adapt to disruptions, making it difficult to measure progress and impact in traditional ways.
- It **does not require an organization to scale** its work in the traditional sense.<sup>25</sup> As Gugelev and Stern put it, “the scale of an organization [...] does not necessarily equal the scale of its impact.”<sup>26</sup>

- It recognizes that there is no single answer to complex problems. Therefore systems change cannot be achieved by individual actors but instead **requires collaboration** between many different actors that can build on each other's strengths and jointly learn from their successes as well as their failures.<sup>27</sup>

The complex, long-term nature of systems change brings considerable uncertainty – but it is well worth it. Historical examples for successful systems change range from the abolition of slavery in the United States to campaigns for women's right to vote across the world. In the health space, successful systems change efforts include eradicating polio in the United States<sup>28</sup> and dramatically reducing malaria deaths.<sup>29</sup> More recently, campaigns for marriage equality come to mind.<sup>30</sup> Precisely because they tackle the root causes of entrenched problems, systems change efforts have an impact potential that goes beyond what can be achieved through direct service. In fact, a recent study by Ashoka and McKinsey estimated a multibillion euro impact potential for the social innovations developed by systems change leaders in Germany alone.<sup>31</sup>

**Despite this huge potential, systems change efforts struggle to secure adequate funding.** Due to the long-term, uncertain, and complex nature of systems change, it does not neatly fit into funder practices that were established decades ago when the field of social entrepreneurship was still nascent. These practices often emphasize the financing of well-defined projects that achieve visible results within a short time frame, resulting in funding requirements and timelines that do not align well with systems change efforts, and also leave systems change leaders without important nonfinancial support. As Leland puts it, “most grants are [...] short term (one to two years in duration), often restricted in use, and highly fragmented with many different funders each imposing their own requirements.”<sup>32</sup> Moreover, pressure on social sector organizations to achieve low overhead rates results in “a general norm [...] that requires 85 percent or more of an organization's capital to go towards funding programs rather than operations”<sup>33</sup> even though this may limit the organization's impact.<sup>34</sup> Further, funders' low appetite for risk discourages experimentation and innovation.<sup>35</sup> In other words: current funding practices rarely allow for the time and flexibility that systems change leaders need to work on the root causes of a problem.

This is unfortunate because “philanthropy is a sector that is well positioned to take risks – but is also one of the most risk averse.”<sup>36</sup> There is large, untapped potential for the funding community to step up its activity to support systems change efforts, which inherently involve more uncertainty and longer time horizons.<sup>37</sup> Importantly, the endeavor of providing greater support for systems change work is not limited to large foundations: all kinds of funders, including smaller foundations, corporate donors, impact investors, government agencies, and multilaterals can advance systemic initiatives within the scope of their work.<sup>38</sup>

This is not to say that all social sector funding should be allocated to systems change efforts: systems change can be an effective answer to complex problems, but it is not the answer to *every* problem. There are many contexts in which humanitarian relief, direct service, and other types of social sector work are well suited to the task at hand. Nevertheless, systems change is critical to resolving the complex problems outlined in the SDGs.

Some funders and intermediaries have championed support for systems change approaches for a long time, and others are beginning to rethink and modify their way of funding. Nevertheless, their efforts have not yet resulted in a paradigm shift in the sector as a whole. For systems change efforts to live up to their impact potential, it is of vital importance that the funding community radically alters its approaches to funding systemic initiatives. A systems change in the funding system is necessary to go from:

- An interest in systems change to a systems mindset
- Individual project funding to the funding of evolving paths to systems change
- Relationships defined by power differentials to true partnerships
- A short-term orientation to a long-term perspective
- Action by individual funders to a collaborative ecosystem.





# Five principles for funding systems change



This chapter proposes five principles along which funders interested in supporting systems change approaches might rethink and adapt their current way of funding. For those eager to start with or further evolve their systems change funding, we provide suggestions on how to adapt current funding practices to be more supportive of systems change efforts. Before we dive into the five principles, we would like to provide a short overview of the key works we build on.

**Scaling Solutions Toward Shifting Systems.** This initiative is led by Rockefeller Philanthropy Advisors in partnership with the Skoll Foundation, Porticus, Ford Foundation, and Draper Richards Kaplan Foundation. It addresses the funding community and has published reports that focus on recommendations for action to better fund systems change work (“SCALE” e.g.: Streamlining the grant making process, Collaborating with other funders through sharing information, Accelerating grantees through open discussions on nonmonetary support, Learning more about systems change, and Empowering grantees by shifting power dynamics)<sup>39</sup> and how these recommendations are being practiced by funder collaboratives.<sup>40</sup> The initiative also designed over a dozen workshops and sessions, many of them specifically for funders.<sup>41</sup>

**Scaling Pathways.** This series is authored by the Center for the Advancement of Social Entrepreneurship at Duke University and the Innovation Investment Alliance (USAID, Skoll Foundation, Mercy Corps). It mainly addresses social entrepreneurs but also outlines the implications of its recommendations for funders. The series currently spans four reports that cover the evolution of systemic initiatives overall,<sup>42</sup> as well as deep dives on financing,<sup>43</sup> government partnerships,<sup>44</sup> and talent management.<sup>45</sup>

**Seven Steps for Funding System Change.** This guide by Ashoka UK is a synthesis of the recommendations from system-changing social entrepreneurs for funders interested in starting or advancing on their journey towards supporting systems change. It is based on the premise that effective funding for systems change approaches needs to be shaped by the extensive experience and leadership of social entrepreneurs who are deeply immersed in the systems they are changing. The result is a comprehensive list of recommendations exploring how a systems change approach influences each step of the funding process and the wider role of the funder, starting from: 1) finding systemic leaders, 2) meeting them on a level playing field, 3) aligning support with their vision, 4) committing to a lasting partnership, 5) strengthening their team, and 6) strengthening their wider system, as well as 7) the funding system itself. The development of the guide also included several roundtables of funders, intermediaries, networks, and researchers, as well as workshops for both grantmakers and investors.

**Beyond Organizational Scale: How Social Entrepreneurs Create Systems Change.** This publication is authored by the Schwab Foundation in collaboration with the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town Graduate School of Business. Its aim is to show what systems change looks like in practice, providing examples of systems change “beyond organizational change.” Social entrepreneurs and their organizations were extensively interviewed to show many aspects of social entrepreneurship across various initiatives in different sectors, some with a for-profit approach, others with a nonprofit one. The first part of the report focuses on five lessons derived from case studies: 1) embrace complexity and adaptability, 2) build the evidence base, 3) create, convene, and coordinate coalitions, 4) engage government, and 5) shift systems with humility. The second part portrays six social entrepreneurs, their systems approach, and key learnings to provide practical guidance for other social entrepreneurs.

**Co-Impact Handbook.** The Co-Impact Handbook is a key reference document which articulates Co-Impact's values, its theory of change, and how it works with systems change leaders and funders to support initiatives in the areas of education, health, and economic opportunity in low- and middle-income countries around the world. Developed in consultation with Co-Impact's existing partners and peers, the Handbook serves both as a detailed guide for current and prospective program partners (systems change leaders and organizations to whom Co-Impact makes grants) and as an explanation of how Co-Impact's model fits into the broader philanthropic sector. It provides an analysis of the key constraints in philanthropic practice and the advantages of collaborative philanthropy, putting forward seven principles of philanthropy conducive to supporting systems change, which have largely been reflected in this report: 1) focus on outcomes, 2) provide flexible, long-term, and significant funding, 3) support strategic coherence, 4) support organizational strengthening, 5) be clear and predictable, 6) reduce burdens, and 7) behave as true partners.<sup>46</sup> The document also dives deeper into the nuts and bolts of grantmaking and engagement with partners, including detailed annexes around diligence and documentation requirements. The Handbook provides a wealth of information for anyone interested in funding systems change efforts.

In the process of reviewing existing work on the topic and discussing it with our interview partners, we discovered some characteristics of the archetypical funder of systems change efforts. We refer to this archetype as the “systemic funder” and use it to describe the characteristics of organizations that embrace the five principles we propose. This archetype is by no means intended as a definitive checklist that all funders interested in supporting systems change approaches should fulfill, but rather as a set of principles for inspiration and guidance.

We have grouped the characteristics we discovered into five principles, which are all interconnected and depend on each other. For each principle, we describe the relevant characteristics of the systemic funder archetype we have identified and provide suggestions on how to incorporate these features into current funding practices.

If we had to identify one theme that cut across all our discussions, it would be trust.<sup>47</sup> A trusting relationship among systems change leaders and funders is the prerequisite for creating a partnership of equals and changing systems together.<sup>48</sup> Trust is necessary when systems change leaders share the motivation for their work with their funders, and when funders provide unrestricted financial resources, to name just two of many suggestions we have discussed with practitioners across the funding ecosystem.

To create a trust-based environment, a mindset shift is necessary.<sup>49</sup> We invite funders to reflect on their relationships with systems change leaders and other stakeholders and to incorporate the following principles and recommendations in their funding work.



Principle 1:

**Embrace a systems mindset**



Principle 2:

**Support evolving paths to systems change**



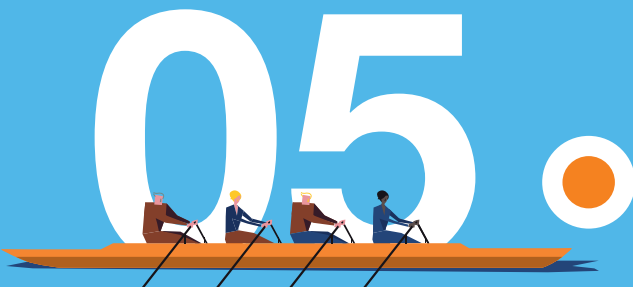
Principle 3:

**Work in true partnership**



Principle 4:

**Prepare for long-term engagement**



Principle 5:

**Collaborate with other stakeholders**



Principle 1:

# **Embrace a systems mindset**

**Systemic funders are clear about the systems they aim to change.** Systemic funders have a clear vision of their targeted “end state” and make an effort to understand the systems that need to be changed to achieve it. In doing so, they are aware that their own perceptions affect how they define the boundaries of their systems of interest<sup>50</sup> and proactively work with different constituents to broaden their understanding of the system as a whole.<sup>51</sup> Moreover, they acknowledge that they, too, are part of the system,<sup>52</sup> and that their own organization might directly or indirectly contribute to the systemic patterns they aim to change.<sup>53</sup>



## Recommendation

### Spread the word on systems change

Actively seek discussions with leaders in the social sector on how systemic approaches might achieve more sustainable change. Some of these leaders who have identified complex issues to work on may not yet see the full potential of systemic solutions. In fact, 27 percent of the systems change leaders we surveyed learned about the concept of systems change during their work with one of their funders. Stay close as a discussion partner if they decide that evolving their work towards a systems change approach is the right step.<sup>54</sup> Consider sharing (but not pushing) your own theory of change to create a deeper understanding of and better alignment with your systems change leaders’ goals and theories of change.<sup>55</sup>

**“There’s no systems change without organizational change, and no organizational change without individual change.”**

— Jonathan Raymond,  
Stuart Foundation  
(quoted in Kania, Kramer,  
and Senge, 2018)

**Systemic funders embed systems change in their DNA and align their culture, strategy, and governance.** A commitment to systems change requires funders to “see how their own ways of thinking and acting must change as well”.<sup>56</sup> The structures of funders’ organizations, including department splits, often reflect a traditional approach to funding and are centered on the funder’s needs, rather than a systems change leader’s vision.<sup>57</sup> Systemic funders reshape their current organization to make sure that it can support systems change approaches. Other manifestations of embedding systems change in a funder’s DNA might be the development of new capabilities such as the ability to recognize and understand systems,<sup>58</sup> a higher tolerance for risk,<sup>59</sup> and a true learning mindset that is comfortable with uncertainty and change. By aligning the entire organization in support of systems change approaches, funders will be better able to understand where their contributions are needed and how they can be most effective.

Moreover, these funders also reflect on how systemic issues, including those relating to diversity, equity, and inclusion, play out in their own organizations. They consider addressing these difficult and often uncomfortable questions as part of their own systems change journey.



## Recommendation

### Challenge your own assumptions

Often, the first argument against more flexible or long-term funding is that “the law, a regulation, [or] a policy” would not allow it or that the funder has an obligation to prudently manage its resources.<sup>60</sup> However, this assessment may be based on ingrained beliefs rather than actual legal constraints. Consider challenging these assumptions in conversations with your organization’s leadership and board. Explore what is possible within the boundaries you operate in and think beyond “this is how we’ve always done it.”<sup>61</sup>

**“It takes bold philanthropists and brave staff to relinquish control and power.”**

— Interview partner

### Be ready to relinquish control

When funding is unrestricted and systems change leaders are free to decide how their financial resources are used, you might perceive greater uncertainty and fewer opportunities to shape the effort than in more traditional funding settings.<sup>62</sup> On the other hand, systems change leaders are closest to the systems they aim to change and know best how funding can be used most effectively. Trust their assessment and become comfortable with more limited control.<sup>63</sup> In essence, this is a mindset shift funders need to undergo on their journey to systemic funding.

### Prepare your arguments

Convincing an established funding organization to make the adjustments necessary to support systems change efforts can be hard. One funder recommended gathering corroborating evidence on the impact of the proposed changes as well as examples and resources for successful implementation<sup>64</sup> before taking up these conversations with leadership and staff in the funding organization. This might include conversations with systems change experts, exchange with funders who have already taken similar steps, and, of course, examples of the impact potential of systems change initiatives. Especially in discussions with senior leadership, be prepared to link the proposed changes to the funding organization’s mission and consider limited changes that allow the organization to make small, positive experiences, such as, through pilot programs.

### Align organizational incentives

Many funders agree that organizational governance is crucial: when staff is incentivized to follow nonsystemic approaches, it is challenging, if not impossible, to effectively support systems change. Review your organization's processes and incentive structures and align them with systems change principles. Reward those who focus on listening and learning from the system<sup>65</sup> and create a culture where failure and pivots do not have negative consequences.<sup>66</sup> One funder shared that they preferred hiring people that are good at listening and observing rather than subject matter experts, to avoid an overreliance on previous knowledge and to ensure that the voices of people “on the ground” are heard.<sup>67</sup>

**Systemic funders actively look for systems change leaders to support.** They do not merely wait for applications and proposals to reach them, but actively search for systems change leaders with promising visions and goals. Systemic funders therefore engage with the communities they aim to serve in different ways, such as by participating in conferences and more informal events<sup>68</sup> and actively looking for systems change leaders, organizations, and coalitions doing work that is complementary to efforts they already support. Indeed, 50 percent of the systems change leaders we surveyed indicated that they were approached by their funders, rather than vice versa.<sup>69</sup> Interestingly, this share was higher for male respondents (55 percent) than for female ones (45 percent). Moreover, the share of systems change leaders reporting that funders reached out to them was about twice as high for those based in Africa (67 percent) than for those Europe (39 percent) and North America (33 percent).

Moreover, systemic funders are well aware that they in many ways “embody traditional power dynamics based on wealth, race, gender, and status, which can limit their ability to support deep inquiry into such conditions externally”.<sup>70</sup> This can lead to an underrepresentation of disadvantaged and minority groups among systems change leaders receiving funding and might perpetuate patterns of privilege. Systemic funders aim for equity and emphasize the inclusion of local leaders<sup>71</sup> to ensure that funding goes to efforts led by those who are closest to the problem.<sup>72</sup>



### Recommendation

#### Ask people on the ground to connect you with systems change leaders

Systems change work heavily depends on the knowledge and experiences of people within the system of interest. Proactively engage with communities and individuals who know the specific system very well<sup>73</sup> to identify leaders of nascent systems change efforts. This might be difficult for some individual organizations.

One funder shared their positive experiences collaborating with community-based foundations that are closely involved in local communities and know what is needed and recommended other funders to do the same. These local entities could also make the necessary introductions to community-based systemic organizations.<sup>74</sup>

### **Be aware of your own biases**

Keep in mind that the range of systems change leaders you are able to connect with might be biased<sup>75</sup> by your existing network, power dynamics, and even your own assumptions of what a systems change leader looks like. Actively work against these potential biases by attending events and connecting with people that are outside your comfort zone. Moreover, consider defining objective criteria for identifying systems change leaders whose theories of change align with your goals, ideally in collaboration with practitioners on the ground.<sup>76</sup>

### **Proactively reach out to the systems change leaders**

Consider approaching systems change leaders with your support offer rather than having them reach out to you, thereby minimizing the effort and resources (including time and money) they have to invest in establishing a relationship with you.<sup>77</sup>

This is especially important when individuals or organizations do not (yet) consider themselves to be systems change leaders or are active in very different geographies: in these cases, you might act as a scout, introducing the concept of systems change to them as an opportunity to amplify their impact.



### **Case Example 1: Bioregional**

#### **Funders that embrace systems change have helped Bioregional advance sustainable consumption patterns through a replicable framework for sustainable living and by pushing policy agendas on the national and global level.**

Bioregional aims to change people's mindset about sustainability by making sustainable living actionable and desirable. To this end, it constructs ecologically sustainable homes in the UK and disseminates guidelines for sustainable living, which have been used to build sustainable homes in communities around the world. Second, it has played a pivotal role in shaping the SDGs, especially SDG No. 12 ("Ensure sustainable consumption and production patterns"), through advocacy work.

Bioregional was able to find systemic funders that supported its strategy to achieve systems change through open replication and advocacy.



For example, Mark Leonard Trust let go of traditional conceptions of funding by supporting Bioregional with unrestricted funding, merely acting as a thought partner to discuss how the resources might be used. However, when Bioregional saw the opportunity to collaborate with multiple other systems change leaders on the content and delivery of the SDGs, it could not find a funder to finance this kind of work. Funders in Bioregional's ecosystem had not yet embraced collaborative systems change work at the time Bioregional was already pursuing it.

Bioregional started with just one UK community and now has over USD 30 billion in real-estate development on five continents. This example highlights what dedicated support for systems change leaders can achieve. But it also serves as a reminder that funders need to think more broadly and embrace the collaborative aspects of systems change approaches.



Principle 2:

# Support evolving paths to systems change

**Systemic funders support systems change leaders with transformative visions, not projects.** Systems change begins with individuals who have a deep understanding of a problem and a vision for changing it. Frequently, they have a personal involvement with the system they are working in and direct exposure through on-the-ground relationships.<sup>78</sup> They have an entrepreneurial mindset and cognitive empathy,<sup>79</sup> which allows them to create real and lasting change. At the same time, these visions often do not neatly translate into clear projects with defined activities and measurable outputs. Rather, the ideas for how the vision might be reached evolve, as the systems change leader learns and possibly changes course along the way.

This requires a significant shift in how systemic funders approach their work: rather than providing budgets for predefined activities and tracking outputs, they emphasize outcomes that are milestones on the path to reaching the envisioned systems change.<sup>80</sup> This also means that relationships between funders and the systems change leaders they work with are usually built over a longer time period than in project-based work. These relationships leave sufficient room for systems change leaders to chart their own course. For example, systemic funders provide monetary support that can be used to flexibly cover different operating expenditures, such as travel, advocacy efforts, networking and events, monitoring and evaluation, and initiatives to create trust by supporting other systems change leaders.



#### Recommendation

##### **Provide unrestricted funding**

Trust that systems change leaders know what they need best. Consider providing them with unrestricted funding in line with a jointly agreed-upon theory of change,<sup>81</sup> to maximize their flexibility to allocate resources to where they are most needed. You might also explore other ways to build flexibility and operational effectiveness, such as making realistic overhead allowances.<sup>82</sup>

One funder who has accompanied many organizations through different development stages emphasized the importance of unrestricted funding during phases in which an organization is growing quickly and must ensure a smooth transition to the next development step. In these moments, it is especially important that the organization has discretion in using its resources and can reallocate funds where necessary, as applications for additional funding would likely delay and obstruct growth.<sup>83</sup>

**“Fund flexibly but based on a theory of change.”**

— Interview partner

##### **Fund achievements, not tasks**

If completely unrestricted funding is not feasible for you, structure your support in a way that allows the systems change leaders to determine how to best reach the aligned-upon systems change goals. Tie funding to jointly developed milestones or outcomes rather than to specific activities.<sup>84</sup>

**Systemic funders invest in learning and capability building.** They are aware that even if the vision for systems change is clear, the path to achieving it may not always be. Most systems adapt to disruptions,<sup>85</sup> and as a system evolves, so must the approach for changing it. Thus, systemic funders provide resources for systems change leaders to evaluate whether their approaches are working, reflect on their experiences, and learn from them – even if this might reveal “failures” that result in course corrections or pivots.<sup>86</sup>

Moreover, these funders know that the right capabilities are important for achieving successful change. In fact, a recent study by Ashoka and McKinsey has identified three capabilities that systems change leaders need to lead change: the ability to develop a broad future vision, build trust with others, and lead by example.<sup>87</sup> Systemic funders help their systems change partners develop these.<sup>88</sup> Moreover, they are aware that – beyond these foundational capabilities – very different skills might be needed, depending on the nature of the systemic initiative or the “endgame” of a systems change effort. For example, if the goal is to hand over an approach to a government entity, the initiative will need a team with different skills than if it aims for commercial adoption or replication.<sup>89</sup>

**“It is not about empowering but supporting: Make sure they get the right capabilities and skills and act as a challenging sparring partner.”**

— Interview partner

**“If we want to change systems, we have to change ourselves first.”**

— Susan Davis



#### Recommendation

##### **Take a broader view of monitoring and evaluation**

It is much harder to attribute success in a systemic effort, as change is nonlinear and can rarely be tied to individual indicators. Nevertheless, it can be helpful to have a data-based perspective on the systemic problem that can be used to evaluate progress in the long run.<sup>90</sup> Consider providing resources to support the establishment of an evidence base where none exists.

Learn about evaluating systems change and explore how to apply various methods that go beyond input/output tracking and reflect the complexity and uniqueness of the system of interest.

To give an example from the work in water, sanitation, and hygiene: don't ask: "How many toilets have been installed?" but rather "Is everybody in the community now actually using a safe toilet all the time and will this change last forever"<sup>91</sup>

### **Combine evaluation methods**

Combine different approaches of evaluation to understand both the short-term effects and long-term progress of initiatives, or to explore the effects on the organizational and systems levels.<sup>92</sup> One interview partner told us about the challenges they had finding an appropriate measurement for their initiative on mindset change. They had selected an initial set of indicators to show the progress of the initiative, which achieved its goals surprisingly quickly (the original estimate for the initiative was achievement by 2030). Through further iteration and discussions with all stakeholders involved, the initiative realized that the initial indicators did not capture the full picture and developed a unique set of evaluation criteria that included numeric key indicators but also looked for qualitative indicators. They did so in collaboration with an advisory firm that specializes in evaluating systemic change.<sup>93</sup>

Moreover, be sure to align with the systems change leaders on which types of data are most helpful in light of the intended systems change and which conclusions can and cannot be drawn from them. One funder suggested thinking beyond funders and systems change leaders when it comes to measuring impact: it might be helpful to explore how government statistics could be used to monitor impact.<sup>94</sup>

### **Invest in iteration and learning**

Ensure that systems change leaders have sufficient resources to explore, iterate, and learn as they pursue their systems change goals. This could range from dedicated funding for smaller-scale pilots<sup>95</sup> to financing the continuous involvement of affected communities in the development of systemic solutions. Moreover, you may want to consider sharing lessons that you've learned yourself and provide space for systems change leaders to reflect on their experiences, possibly in collaboration with you or through third-party facilitators.<sup>96</sup> In the long run, fully engaging in this learning journey will enable systems change leaders to more effectively pursue the systems change goal.

### **Strengthen organizational capabilities**

Many organizations struggle to build the capabilities to successfully deliver on their mission, even beyond finding dedicated space to learn and evolve their approaches. Therefore, consider funding that strengthens the organization's capabilities, such as skills training for staff,<sup>97</sup> codification of knowledge and processes, or the development of organizational infrastructure such as up-to-date IT systems.<sup>98</sup>

**Systemic funders are mindful of the pressures systems change leaders face and encourage collaboration among them.** While the entrepreneurial spirit of a systems change leader is an important quality, systemic funders are mindful of the narrative of “heropreneurs”<sup>99</sup> who claim to change the world by themselves.<sup>100</sup> This narrative not only contradicts the systemic perspective that change is not monocausal, but it also puts considerable pressure on individual systems change leaders.

In a recent survey of Schwab Foundation fellows, 30 percent of the surveyed social entrepreneurs stated that “fear of failure” is one of the main barriers to scaling in the social sector.<sup>101</sup> One potential consequence is that systems change leaders avoid talking about challenges they are facing or perceived “mistakes” they have made for fear of funding being withdrawn. The pressures and conditions of working in the social sector also have a negative impact on systems change leaders’ well-being. For example, “nearly 50 percent of the social entrepreneurs attending the World Economic Forum’s Annual Meeting in 2018 reported struggling with burnout and depression.”<sup>102</sup> They also reported missing social activities and hobbies, and shared that their relationships with other social entrepreneurs can be affected by the adverse atmosphere created by funding competition.<sup>103</sup>

Systemic funders see systems change leaders as catalysts working through collaboration and distributed leadership to drive change.<sup>104,105</sup> Indeed, a recent survey of Ashoka Fellows globally showed that 90 percent of them are “openly encouraging other institutions or groups to replicate their idea in order to achieve impact.”<sup>106</sup>

**“There is no systems change unicorn.”**

— Interview partner (on the narrative of “heropreneurs”)

Building on this, systemic funders value systems change leaders’ contributions to solving issues (at least) as much as public recognition of the organizations they support.<sup>107</sup> They set incentives for systems change leaders to focus on what they do best<sup>108</sup> and encourage them to identify other systemic initiatives that they can support or collaborate with. They actively help build coalitions by introducing systems change leaders in their networks to others working in the same fields or geographies and remove competitive elements wherever possible. Thus, the same problem can be solved collaboratively from different perspectives, with different skills, and in different regions. For example, one funding organization reported actively choosing to fund collaborations so that it could learn more about the system in question from different but coordinated approaches to systemic change.<sup>109</sup> Moreover, such alliances can be a source of motivation and mutual help for systems change leaders and can help them and overcome roadblocks.<sup>110</sup>



## Recommendation

### Facilitate partnerships

Help systemic organizations find, engage, and connect with each other, such as, by inviting them to conferences and workshops. Encourage systems change leaders to explore where they can contribute most to systems change goals and where others may be in a better position to do so<sup>111</sup> while being mindful of differences in organizational culture, speed, and staff capacity.<sup>112</sup> Provide support for establishing such partnerships – be it through monetary (e.g., funding to build connections and partnerships) or nonmonetary resources (e.g., introductions to other systems change leaders with an aligned vision).<sup>113</sup>

You might even consider formalizing this role in the form of a “systems incubator”<sup>114</sup> who actively convenes systemic organizations working on related problems, e.g., in different regions or from different perspectives, and acts as a facilitator for dialogue and exchange. This incubator can moderate the exchange of experiences, align strategies, or amplify policy objectives and could even be supported by a collaboration of several funders.

### Set the right incentives for collaboration

Ensure that you set the right incentive structures by rewarding systems change leaders who are good collaborators.<sup>115</sup> A systems change leaders’ contribution to achieving impact should be more important than whether or not that impact is publicly credited to the initiative or your organization.<sup>116</sup> Reward systems change leaders in your organization for focusing on what they do best and for collaborating with organizations that are better able to deliver certain aspects of their approach.



## Case Example 2: Water for People

### **An investment in learning and capability building enabled Water for People to provide full water access to a Rwandan province.**

Water for People is a nonprofit international development organization that helps people in rural parts of developing countries achieve greater access to potable water and sanitation facilities. One of its initiatives is the Rulindo Challenge – a commitment by Water for People, its supporters, the government of Rwanda, and the Rulindo district of Rwanda with a population of approximately 280,000 people.

The key to the success of the Rulindo Challenge was a funder that enabled Water for People to invest in learning and capability building for its own organization. With this funding, Water for People built the strategic and content expertise it needed to develop and deliver training for local bureaucrats, the government, and service providers, thereby supporting and consulting the entire ecosystem of water and sanitation service delivery. This included infrastructure needs, management and governance, and financial flows. The funder encouraged collaboration between various systems change leaders to extend the process on a national level.

This approach made it possible for everyone in the Rulindo district to have sustainable and permanent access to water services. The initiative will be scaled across all 30 districts in Rwanda in collaboration with the government and other nongovernmental organizations to potentially reach 12 million people by the end of 2020.







Principle 3:

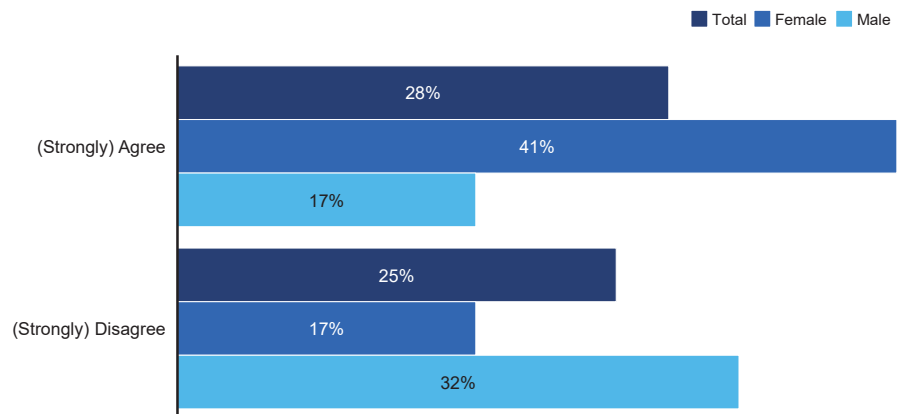
**Work in true  
partnership**

**Systemic funders recognize the power dynamics between themselves and systems change leaders and are highly sensitive of their power.** In most social sector work, power dynamics are at play. For example, most philanthropic money comes from the Global North and is directed towards recipients in the Global South: according to the OECD Development Co-operation Directorate, 22 of the largest philanthropic foundations worldwide provided more than USD 6.1 billion for development work in 2017.<sup>117</sup> More than 80 percent of these funds were contributed by organizations from the United States, with the African continent as the largest recipient (29 percent), followed by Asia (16 percent). About 50 percent of the total was allocated to activities addressing global challenges.<sup>118</sup>

Further, and regardless of intention, the simple fact that funders are giving resources to systems change leaders brings a built-in power differential in the funder-recipient relationship.<sup>119</sup> In our survey, only 28 percent of respondents clearly agreed<sup>120</sup> that they work in true partnership with their funders, while a similar number (25 percent) clearly disagreed. Interestingly, considerably more female than male respondents clearly agreed (41 percent of all female respondents versus 17 percent of all male respondents), while the opposite is true for respondents who clearly disagreed (17 percent of all female respondents versus 32 percent of all male respondents).

**Respondents are divided: 28% agree that they work in true partnership with their funders, 25% disagree; half of respondents do not have a clear opinion**

My funders and I have a partnership of equals.  
N=95



Source: Systems Change Leaders Survey 2019

On a more subtle level, systems change leaders sometimes implicitly assume that they have to comply with the – sometimes even unstated – wishes of their funders. One funder’s experience illustrates this. Upon hiring, our interview partner was told: “From now on, you will not have any bad ideas anymore,”<sup>121</sup> reflecting a tendency of funded organizations avoid questioning their funders’ opinions for fear of losing future funding.

**“Relational over transactional: prioritize connection and create space for understanding.”**

— Interview partner

Only if systems change leaders’ relationships with their funders are truly equal partnerships will they be able to change systems.<sup>122</sup> This includes the freedom and trust to tell their funders what they need – and what they do not need.<sup>123</sup> Systemic funders are thus highly aware of the power dynamics present in their relationships with systems change leaders and actively work to change them, e.g., by placing decision making authority in the hands of systems change leaders<sup>124</sup> and emphasizing that dissent will not result in negative consequences.<sup>125</sup> Moreover, systemic funders see themselves as a part of the system they aim to change, and they continuously reflect on how their behavior affects the system and its constituents.



#### Recommendation

##### **Manage expectations between the systems change leader and systemic funder**

Consider explicitly stating the expectations for both funder and systems change leader in a written agreement to highlight the contractual equality of both parties.<sup>126</sup> This should not imply a transactional relationship between the systems change leader and funder, but rather a partnership in which both sides bring different resources to the table and are equally necessary to work together on the systems change.<sup>127</sup> It goes without saying that both sides should enter into such an agreement on a fully voluntary basis.

**“Systemic funding does not only include the big bets – small amounts [and non-monetary support] can also have systemic impact.”**

— Interview partner

## Language matters

Many studies have shown that language frames our view of the world, including narratives of subordinate relationships. Evaluate the language you use to refer to systems change leaders in order to foster equal partnerships: consider using “program partner” rather than “funder,” “grantee,” or “beneficiary.”<sup>128</sup> This report uses the term “systems change leader” to demonstrate an equal partnership.

## Take the learning journey together with systems change leaders

Look for ways to show your commitment to an equal partnership through actions as much through words. One funder shared that foundation staff would attend workshops on the incorporation of a systems change approach together with funded systems change leaders – this clearly showed the foundation’s humility and willingness to embark on a joint learning journey towards systems change. Look for opportunities like this to engage actively, and on an even level, with systems change leaders.

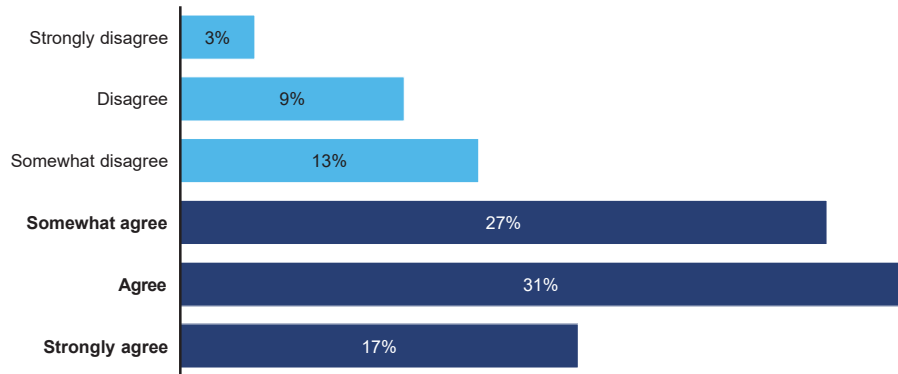
Another funder recommended openly addressing power dynamics, recounting an experience where this willingness to have uncomfortable conversations had helped build a better relationship: the funder assured a systems change leader that the foundation wanted a genuinely equal partnership and that criticism and constructive disagreement would not put funding at risk.<sup>129</sup>

**Systemic funders listen to and understand what systems change leaders need, and then provide targeted support.** They are aware that systems change leaders are more familiar with the systemic problem in question and that more active funder involvement might distract systems change leaders from the insights that come from this deep knowledge of the system. Moreover, systemic funders know that they will need to be able to question underlying assumptions<sup>130</sup> and listen actively to find out how to best contribute to systems change efforts.<sup>131</sup> They invest time early on to establish a strong relationship that can drive the systems change effort forward,<sup>132</sup> help leaders reflect on their own work, and develop new ideas for systems change efforts.<sup>133</sup>

These funders listen with empathy and humility,<sup>134</sup> engage in conversations with curiosity, and recognize their own biases and assumptions. This allows systems change leaders to be more open about the challenges they face, articulate their needs (which are often not just monetary),<sup>135</sup> and drive their own agendas. This kind of behavior already appears to be quite common: 75 percent of the respondents in our survey agreed that they have honest and respectful discussions with their funders on a regular basis. At the same time, a funder who had also been a systems change leader for a long time in his career perceived an ingrained culture of mistrust among some past funders.<sup>136</sup>

## The majority (75%) of respondents report having regular honest and respectful discussions

My funders hold regular honest and respectful discussions with me about the progress of my initiative.  
N=95



Source: Systems Change Leaders Survey 2019

Systemic funders are aware that funding is about more than giving money. In many cases, funders can provide valuable nonmonetary support, including knowledge sharing, access to networks, amplifying the systems change leaders' messages, or delivering specific expertise (e.g. legal issues, policy processes, strategic advice). In our survey, systems change leaders perceived fundraising support as the most important nonmonetary support, followed by different types of consulting support (e.g. strategy, communication, organizational design). Systems change leaders also mentioned needing support in communicating, networking, and gathering data to understand "what's happening elsewhere of a similar nature."



### Recommendation

#### Take the time to build trust with your systems change leaders

Reflect on what your organization needs to trust a systems change leader and move to complete these requirements (e.g., detailed due diligence<sup>137</sup>) before funding begins.<sup>138</sup> In a similar manner, identify what your organization can do to earn the systems change leaders' trust. Consider spending time with funded organizations "on the ground," getting to know the team and its work and learning about their motives to drive systems change (and be open to sharing your own motivations as well). One funder shared that visiting the communities in which their program partner worked not only helped them better understand the challenges that had been overcome and the progress that had been made, but also deepened an existing, decade-long relationship with the systems change leaders.<sup>139</sup>

## Give more than money

Identify ways in which your organization can provide nonmonetary support by reflecting on the specific strengths and assets it can offer. Moreover, consider using your organization's name and profile to amplify the work of systems change leaders where helpful<sup>140</sup> and be willing to step back when your presence would do more harm than good.<sup>141</sup> At the same time, be mindful of power dynamics: do not push your support offer on systems change leaders but rather ask them what they need and contribute accordingly.

## Overview of what support partner organizations can offer beyond money

All partner organizations co-publishing this report are dedicated to supporting systems change approaches and know that funding means more than money. The following paragraphs provide an overview of what each partner's support includes:

### Ashoka

Ashoka has always bet on visionary leaders with a fundamentally new vision of what is possible in the world. What we have learned is that in addition to the systems change it brings, Ashoka's even greater impact is that it enables many more people to be changemakers. Its ideas and examples reveal patterns that can accelerate change, and in this way, our financial support will be leveraged many times over: in the form of organizational growth, policy change, independent replication, and more.

Specifically, Ashoka supports systems change leaders ("fellows") in the following ways:

1. **Ashoka's selection process.** The selection process helps fellows find an identity as social entrepreneurs, as well as validate and think through their systems-changing approaches for long-term change that lasts
2. **Support for the growth of systems-changing solutions.** The Ashoka network helps social entrepreneurs of systems change envision and then step into their next level of impact and influence. Ashoka fellows receive feedback and customized support in addition to a three-year financial stipend
3. **Peer learning community.** From Day 1, Ashoka fellows join a diverse and trusted 3,900-member-strong community of peer entrepreneurs from over 90 countries
4. **Accelerated adoption of new frameworks for change.** 40 years into building the systems change community, Ashoka helps accelerate big changes globally based on patterns we can see across our community of systems change leaders. For instance, Ashoka is currently working to change the mindsets of young people as they grow up so that they understand their power to be changemakers

## Co-Impact

Systems change requires more than just funding. It requires a host of non-financial supports, based on careful consideration of how relationships between funders and partners are structured – recognizing systems change leaders (“program partners”) as the experts with the contextual and technical knowledge critical for success. Co-Impact offers a variety of supports underpinned by a commitment to listening and service, so that program partners have what they need to strengthen their organizations, develop staff capabilities, and support the ecosystem as a whole. In this way, systems change leaders, and those funding systems change, can have greater, deeper, and more enduring impact. Key areas of support include, but are not limited to:

- **Earmarked flexible funding** dedicated to organizational strengthening (typically US 500,000 over five years). This may be used for a wide range of needs including but not limited to: strategy development; systems and technology to help make data-driven decisions; leadership development; coalition building; political economy analysis; strategic communications; measurement and metrics; gender, inclusion and power distribution strategies; client feedback promotion; digital security; board development and organizational restructuring; fundraising capabilities; and risk management.
- **Support for capability development** in service of program partner priorities, either reflected as a core component of the partner organization’s systems change prospectus and budget and/or through regular check-ins (1-3 times per quarter) and offer of an external perspective, where helpful.
- **Access to networks and resources** e.g., individuals, organizations, coaches, consultants, websites, tools, stories, and additional funding, which may be useful to program leaders, as well as support to convene meetings to share lessons, develop an idea, and/or organize collective action.

## Echoing Green

Through our two-year, full-time fellowship, we find people working on a plan to make the world better in a big way. Then we help them become impactful leaders by connecting them with the tools, resources, and communities they need to bring their ideas to life.

Every fellow gets our proven support model which consists of:

### Leadership development

**Personalized framework.** A comprehensive, self-paced program to work towards building leadership skills and developing the structures and strategies needed for ideas to thrive

**Well-being support.** Ongoing secular support from three Echoing Green Chaplains, focusing on mental and emotional well-being, as well as self-care workshops designed specifically for the struggles of entrepreneurship.



## Seed resources

**Dedicated portfolio manager.** An expert advisor and thought partner who guides leadership growth, helps build ideas and organizations for success, and connects fellows to additional resources and funding opportunities

**Seed funding.** A stipend paid in four equal installments over two years (USD 80,000 for individuals; USD 90,000 for partnerships), in addition to a flexible benefit stipend. Funding offered to for-profit organizations is in the form of recoverable grants.

## Lifelong support

**Retreats and networking events.** International gatherings to connect fellows across classes and cohorts, as well as with experienced business leaders, institutions, and investors committed to solving global issues.

**Expert advisory groups.** Comprehensive pro bono legal and investment advice and a suite of support from leading professionals to help navigate the social entrepreneurship and impact investment fields.

## Schwab Foundation for Social Entrepreneurship

The Schwab Foundation recognizes that problems require multistakeholder collaboration and that addressing complex challenges requires a collective response. It aims to provide exposure, capacity building, and a trusting community to support social innovation leaders to change the world.

The Schwab Foundation supports its awardees in the development of social innovation by:

- **Advocacy platform.** Raising awareness of the social innovators and their work on global platforms, legitimizing them as peers of world leaders, and facilitating tailored media exposure
- **Partnership and knowledge networks.** Giving them access to global knowledge, networks, world leaders and partners through the World Economic Forum convenings
- **Capacity development.** Advancing system leadership through executive education at the Harvard Kennedy School
- **Peer support.** Fostering a community spirit through leadership coaching, peer-to-peer mentoring and the provision of tools, support systems and connection to a diverse range of events

## Skoll Foundation

The Skoll Foundation's underlying logic model is simple: if we apply our financial and nonmonetary assets in an aligned, coordinated, and strategic way, then we can help accelerate systems level change. Our nonmonetary support includes:

- Making Skoll Award for Social Entrepreneurship recipients visible by featuring them on stage and in digital outlets, providing speaking opportunities, and connecting them onward to other funders and possible partners from within the Foundation's network
- Convening social innovators across sectors in various fora, including the Skoll World Forum and the TEDx Skoll Conversation Series
- Producing and supporting public campaigns and thought leadership pieces to engage and activate target audiences
- Supporting Skoll Awardees' storytelling efforts, such as through documentaries and VR experiences
- Providing mutual support and personal growth opportunities for social entrepreneurs, through support for programs like Tendrel and The Well-Being Project
- Engaging like-minded funders to drive additional resources toward social entrepreneurs, and influencing and learning from their funding practices
- Sharing Skoll Awardee data (e.g., impact over time) with interested funders and partners
- Collaborating with researchers, academic centers, and others to influence and learn from the field of social change and entrepreneurship

**Systemic funders are mindful of systems change leaders' limited resources by minimizing the application and reporting effort.** Systemic funders recognize the inherent opportunity cost involved in applying to their program and complying with reporting processes. The resources allocated to these processes – not least the time of key people within the organization – could also be used for work that more directly contributes to furthering systems change.<sup>142</sup> They are respectful of systems change leaders' resources throughout the application process<sup>143</sup> and craft their reporting processes to suit the systems change leaders' needs, rather than their own.

Reporting formats are often determined by funders' (self-perceived) information needs,<sup>144</sup> resulting in predefined reporting templates and requirements that are imposed on systems change leaders. This cements an unhealthy power dynamic of compliance and can result in a considerable burden if systems change leaders work with multiple funders. Moreover, this represents a lost opportunity for supporting systems change leaders in their learning journey, where reporting could prompt reflections on past experiences and

future development paths.<sup>145</sup> An effective systemic funder reduces reporting to what is truly necessary, keeping in mind that reporting should create transparency for the systems change leader, not just the funder.<sup>146</sup>

When asked to describe particularly helpful aspects of reporting, systems change leaders provided responses that could be grouped into three themes:

- Gathering data and measuring impact: “Reporting helped us figure out how to measure impact in a manner that is in line with our long-term systems change effort while providing donors what they need to evaluate the efficacy of their support”<sup>147</sup>
- Prompting self-reflection: “Having to reflect on what worked well and what did not helped me understand the processes more profoundly. It’s highly valuable to see how much progress we’ve made over a year!”<sup>148</sup>
- Facilitating better collaboration and communication with funders: “Reporting enabled our funders to discuss the progress with us and invest time and effort in seeing and understanding not just the project they are funding but also our greater work and our values!”<sup>149</sup>



## Recommendation

### **Align reporting with a systems change mindset**

Evaluate whether your reporting requirements reflect the long-term nature of systems change or mainly focus on short-term data points. In an open dialogue with your systems change leaders, co-create reporting questions<sup>150</sup> and jointly define what reaching your systemic goals looks like, setting metrics and milestones accordingly.<sup>151</sup> Funders can suggest sections such as “lessons learned” or “next steps” to help the organization improve.<sup>152</sup>

The list below reflects the range of questions suggested by funders in our interviews:

- What are the milestones towards your intended systems change? Which of these are you currently contributing to?
- What have you learned that has reinforced or made you rethink your strategy?
- What role have you played in your community? How are you engaging citizens and stakeholders?
- What kind of partners have you worked with or which levers were you pulling?
- Which organizations are you helping?

- Is anybody replicating your approach?
- Are you influencing policy?
- What is the tipping point? Are you now closer to your goal?

### **Get rid of funding gates**

If you currently use funding gates (i.e., you authorize further funding if certain milestones or metrics are fulfilled), evaluate whether these align with the long-term nature of systems change and consider eliminating them if they do not. If you need to use funding gates, design them in a way that allows space for changes to your approach and emphasizes working towards long-term goals.<sup>153</sup>

### **Streamline your application process**

Review your current application requirements and eliminate unnecessary burdens for systems change leaders. Funders suggested using deliberately short application templates or accepting systems change leaders' own documents that can be used with multiple funders, rather than requiring the use of an organization-specific template.<sup>154</sup>

Moreover, consider offering webinars to answer application-related questions in order to make the process more equal for all applicants, including those who might have a language barrier or less experience with applications.<sup>155</sup> Finally, evaluate whether open calls can help systems change leaders better understand what you are looking for before they apply – strike a balance between being as specific as possible with the kind of systems change you are interested in and minimizing the barriers for systems change leaders to get in touch.<sup>156</sup>

### **Consider aligning with other funders**

If many of the systems change leaders you encounter also work with other funders, it might be helpful to use the same application format or share due diligence reports between funders (provided the applicant consents) to minimize the effort required for applicants.<sup>157</sup> You might even consider pooled funding, a form of collaboration in which multiple funders support the same systems change leader as a group, usually using one set of documents for all funding organizations involved.<sup>158</sup>

Be aware, however, that such close collaboration with other funders requires building trust.<sup>159</sup> One of our interview partners who organizes conferences about funding social entrepreneurship with multiple stakeholders, shared an anecdote from one such experience. While everyone agreed that funding was necessary and alignment with other funders would help, when it came to the details, the funders would often only trust their own work, such as, in application or due diligence processes.

The interview partner also mentioned another interesting aspect: the different shareholders would very often mean similar things but use different language.

Alignment can also reduce the burden of reporting. A collaboration of funders or even the sector as a whole should therefore cooperate and at least agree on a shared reporting basis to minimize the effort.<sup>160</sup>

Another interview partner suggested that regulatory guidance (e.g., a code of conduct) could help enormously to streamline application and report formats and thus reduce paperwork for systems change leaders.<sup>161</sup>

### **Recognize the cost of your processes – and consider compensation**

Consider actively compensating potential partners for the time and cost required throughout the application process, especially in the last rounds of multistage processes. Several funders stated that they give substantial grants to prospective partners as compensation for the time they spend on their applications.<sup>162</sup> Similarly, if you offer funding for specific aspects of a systems change leader's work rather than unrestricted funding, allocate an appropriate overhead share that covers the cost of fulfilling your reporting requirements and more.<sup>163</sup>



### Case Example 3: Blue Ventures

**Blue Ventures was able to take its first steps towards systems change because funders listened to its needs, committed to partnering (not prescribing), and aligned with the organization's values.**

Blue Ventures pioneered a new way to manage tropical fisheries by giving coastal communities a lead role in local marine governance. This impact became possible when new funders enabled Blue Ventures to adapt its approach to local contexts and commit to a full-time, on-the-ground presence. These funding partners shared Blue Ventures' values of putting communities first, were willing to understand Blue Ventures' strategy, and gave it the space and time it needed to implement the concept. These partnerships have helped Blue Ventures empower local communities as marine managers that can make and enforce decisions about the use of their resources.

Blue Ventures reaches 420,000 people in East Africa, the Indian Ocean, and Southeast Asia and shares its experience globally to support 32 partners.



Principle 4:

**Prepare for long-term engagement**

**Systemic funders are realistic about the time it takes to achieve systems change.**<sup>164</sup> Results

that are directly visible can be very gratifying for funders but are rarely in line with a systems change approach – systems change can take years to achieve and individual actions usually only have an indirect impact. For example, almost all (98 percent) of the systems change leaders we surveyed indicated that they would need at least 3 years to achieve systems change – but 55 percent feel that their funders do not provide the necessary support for the multiyear timeline necessary to achieve it. Indeed, none of the respondents “strongly agreed” that funders provided this necessary support.

**“The era of one-year grants should be over.”**

— Interview partner

Systems change leaders usually define their work not in terms of individual projects, but in terms of multiple, long-term efforts, which puts their work at odds with funding that emphasizes short-term success. Moreover, short funding cycles drive systems change leaders to spend a significant amount of time on applications for future funding, rather than working on their systemic initiative.<sup>165</sup> Finally, systems change usually involves collaboration with a broad range of partners, which can take a long time to establish. Systemic funders thus accommodate these extended timelines, especially when the intended systems change requires the action of third parties such as government entities.<sup>166</sup>



## Recommendation

### Fund for the long term

Consider extending your funding cycles to three or more years, to allow for systems change leaders to strategically plan for the long term<sup>167</sup> and you as a funder to align the funding cycle to your “ability and capacity for reflecting on outcomes and learnings of previous grants.”<sup>168</sup> You can also explore the option of providing funding that fills the gaps between project funds from other sources. You might even want to follow the example of organizations like Ashoka that make life-long commitments to their systems change partners for nonmonetary support such as network access.

### Review and adapt milestones regularly

Many organizations use milestones to break down long-term systemic goals into smaller portions. Review these milestones regularly to ensure that they are still valid in a changing world. One funding organization we interviewed defines its milestones according to a global road map published by an intragovernmental organization, which helps create a deeper understanding of what is needed to achieve their long-term goal from a broader, multidisciplinary point of view.<sup>169</sup> A systems change leader we interviewed emphasized the importance of being able to quickly react to emerging opportunities, such as building political momentum for a policy process.<sup>170</sup>

**Systemic funders acknowledge that the path of an initiative will change along the way.**

Many funders expect to decide on funding for a project based on it having a path that is predefined from beginning to end. They are thus tying success (and continued funding) to an organization's adherence to this path – even if it might become clear over time that it is not the best use of resources. This logic does not work for systems change efforts, as the inherent complexity of a systems change effort often leads to pivots that could not be anticipated at the start of an initiative,<sup>171</sup> perhaps because the systems change leaders' understanding of the underlying causes of the problem deepened as they worked on it.<sup>172</sup> In our survey, 74 percent of respondents indicated their initiative underwent major changes along the way, with an additional 23 percent of respondents reporting minor changes.

Systemic funders accept these changes and realize that being open about which approaches did not work will lead to greater impact in the long run – indeed, 32 percent of the systems change leaders we surveyed (strongly) agreed<sup>173</sup> that their funders are supportive when change occurs, with another 31 percent agreeing “somewhat.” Systemic funders also create conditions that can easily accommodate such changes, such as, by providing unrestricted funding that can be repurposed or focusing alignment discussions on the overarching goal while leaving the choice of the appropriate path up to the systems change leader.

**“Our understanding of our work has grown deeper over time.”**

—Meenakshi Gupta, Goonj



Recommendation

**Be prepared for an evolution of the funding model**

As systems change leaders learn, initiatives are likely to experience pivots in terms of approach and possibly also funding sources. Consider whether and how your funding practices can accommodate a changing mix of funding sources (e.g., bringing additional funders on board, developing earned revenue streams, adopting hybrid organizational models with both for-profit and nonprofit entities).<sup>174</sup>

**Praise trial and error**

Be aware that neither the systems change leader nor you know the best path to achieving systems change. To find it, different approaches need to be tried and evaluated along the way.<sup>175</sup> Therefore, frame “failures” as process steps that bring systems change leaders closer to the best path to systems change and allow initiatives to adapt to changing conditions.<sup>176</sup>

Consider discussing with systems change leaders how these past experiences might inform future approaches<sup>177</sup> as well as reflecting on and learning from your own mistakes in working with systems change leaders.



**Systemic funders urge systems change leaders to be ambitious but also realistic.**

By its very definition, systems change is an ambitious approach to the pressing challenges of our time. Although the challenges are big, systemic change is often driven by leaders in local communities, meaning that neither the systems change leaders nor systemic funders need huge budgets to make a difference. While the narrative that big changes can only be made by big organizations may be discouraging, smaller funders can indeed contribute just as much to systems change efforts if they identify the right level of ambition.<sup>178</sup> In a similar manner, organizations driving systems change efforts do not need to be big: in fact, systemic endgames, such as the adoption of a new policy by government<sup>179</sup> or an innovation by the corporate sector,<sup>180</sup> usually do not require a large organization.

Setting the right level of ambition is also crucial for the success of the systems change effort. One funder shared that government support or adoption might actually be easier to achieve if the initiative in question has a clearly delineated scope. The initiative this foundation had funded closed a gap in the local support system for families with mentally ill parents by integrating psychological care for their children with parents' administrative appointments. The administration eventually took over and even expanded the program to other vulnerable groups because it was associated with a limited cost burden and required only small changes.<sup>181</sup>



Recommendation

**Jointly set realistic goals**

Collaborate with the systems change leaders you support to set realistic goals and ask them to articulate their own ambition based on experiences “on the ground.”<sup>182</sup> In these conversations, you may find that practitioners driving systems change efforts use very different language to describe systems change: be mindful of the different contexts through which different actors experience these efforts and use questions to arrive at a joint understanding, rather than pushing your preferred terms or frames.



#### Case Example 4: Barefoot College

### **Barefoot College supports women without formal education to become agents for sustainable development in rural communities across the Global South.**

For more than 40 years, Barefoot College has been training women who have never received a formal education or learned technical skills. What started as a program teaching women to be pump mechanics turned into colleges training them to become solar engineers and entrepreneurs. This approach puts women in a position to drive local, sustainable change and uplift the economy while also shifting social norms and ideas. Thus, Barefoot College not only addresses problems of poverty and inequality but also radically changes the role these women play in their communities.

Throughout the years, Barefoot College has worked with funders that have understood the importance of long-term engagement and systemic approaches. A more than decade-long partnership with the Government of India funded the training of more than 2,200 female solar engineers while also supporting the evolution of Barefoot College's training model. Similarly, a small, project-focused grant from Apple has grown into a partnership providing unrestricted funds to build the organizational capacity that Barefoot College needed to transition its work to a fully systemic approach.

The trust and committed, long-term support of multiple funders has enabled Barefoot College to scale its zero-carbon solution to 96 countries. This trust and support has also encouraged 11 countries to commit national funding for their community-based last mile "access to energy" model, bringing clean light to over one million people.





Principle 5:

# **Collaborate with other stakeholders**

**Systemic funders align with other funders to enhance efficiency through coordinated action.**

The diversity of funders is important for the vitality of the social sector in general. It provides the basis for different purposes, focuses, and approaches, which contribute to a lively society and environment. Collaborations between funders can take different shapes and can be very successful if well maintained.<sup>183</sup> In some cases, such collaborations may even reduce the time systems change leaders spend on tasks they would normally have to repeat for each individual funder, such as applying for new funding and reporting.<sup>184</sup>

**“Don’t assume that you know everything yourself.”**

— Interview partner

As part of the survey, systems change leaders provided examples of improvements they have experienced in collaborations between two or more stakeholders. These included an increase in feasibility (“The goals that are designed together with funders have better chances of getting the necessary support for what we envision. When we are able to engage donors, we can also engage other supporters – so we can achieve larger results.”<sup>185</sup>) and acceleration of scaling (“Scaling up my initiative and its impact was [the] result of a multilateral collaboration of different funders.”<sup>186</sup>). Still, there are voices that call for improvements on the funders’ side (“I would like to see much more collaboration and communication between [the] funders who support and fund our work. The main message coming from them should be unified. Be more efficient and less bureaucratic!”<sup>187</sup>)



Recommendation

**Ask for help**

Especially while starting the journey of supporting systems change approaches, funders have a lot of questions and seek practical advice. Fortunately, there is a growing body of resources aimed at funders interested in supporting systems change. But even more importantly, ask for help within the community. We saw in our interviews that many funders face similar challenges – so why not ask for help and benefit from others’ experiences? We talked to funders who would love to learn from others.<sup>188</sup> We also discussed this with funders who aim to provide knowledge on how to fund systems change efforts in an institutionalized way by running workshops for foundations that aim to fund more systemically.<sup>189</sup>

**Be comfortable with the uncomfortable**

Collaborations benefit from the differences among the collaborators. Be comfortable with the fact that you and your collaborators will not agree on every point and see this as a chance to have your ideas and visions challenged by a group you can trust.<sup>190</sup>

This includes being comfortable with sharing the lessons you have learned with the group – both the good and the bad ones – to learn from each other’s experience. One interviewee shared with us that he meets several times a year with a small group of other foundation representatives to discuss their experiences. Since other funders have asked to join them, the group is now discussing how to successfully broaden the conversation in a way that benefits all participants.<sup>191</sup>

### **Structure collaboration for success**

When engaging in collaborative funding, consider creating a neutral institution, such as a small secretariat, that is able to balance potentially conflicting interests between different funding partners that fund the same systems change leader.<sup>192</sup>

### **Share your experiences in many ways**

Many funders nowadays have websites to inform the public about their initiatives – which is a good way to inform potential collaborators as well. However, think about who you want to reach. You can, for example, organize meetings within the community to share your work and also attract strategically important stakeholders such as local and national government or corporate representatives.<sup>193</sup>

**Systemic funders build a strong network for their systems change leaders to tap into.** Systems change is too much for one single person or one organization to achieve. Systemic funders therefore not only foster collaboration between systems change leaders and encourage initiatives to grow,<sup>194</sup> but also strengthen their relationships with other stakeholders.<sup>195</sup>

Connections that might be useful include government agencies, legal professionals, media organizations, storytellers, as well as companies in the private sector.<sup>196</sup> Among these, systems change leaders ranked collaborations with government entities as their most preferred one in our survey. When

funders use their networks wisely to circulate what systems change leaders are doing, they can act as advocates and accelerate systemic impact.<sup>197</sup>

**“The collective brain helps find the solution.”**

— Interview partner

For example, we interviewed a systemic funder that hosts a yearly conference to connect multiple stakeholders such as government representatives, corporations, community leaders, and many others. Our interview partner shared that these opportunities for connecting and networking have sparked ideas that resulted in successful collaborations between different stakeholders, which were in turn also funded and supported by this organization.<sup>198</sup>



## Recommendation

### **Feed your collaborations**

Collaborations have many advantages<sup>199</sup> but they need to be nurtured. Spend time listening to your collaboration partners to build a high level of trust<sup>200</sup> and advance your agenda in a co-creational way. Consider assigning dedicated staff<sup>201</sup> to ensure the following conditions are met: aligned objectives, clarification of individual partner responsibilities, clear accountability, consistent review mechanisms, and a deep understanding that every partner's contributions are appreciated.<sup>202</sup>

### **Start with small collaborations**

Start collaborations with easy wins: it might be convenient to first streamline some tasks, then do a workshop together, then a collaboration on a larger scale, and so on. With this stepwise approach, you can build trust and set the basis for even deeper collaborations.<sup>203</sup> One interviewee told us how his organization achieved a successful collaboration with another funder: they started by ordering equipment that both organizations would need and then moved on to jointly conducting a small workshop. Over time, the collaboration became stronger and stronger through these small successes.<sup>204</sup>

**Systemic funders leave the leading role to systems change leaders.** Funders can be equal partners, collaborators, and advocates for systems change leaders. But sometimes, their most important role is to take a step back and let systems change leaders and their organizations shine. In some cases, the well-known name of a foundation can be beneficial for initiatives, but it can also hinder them – such as, when a systems change leader is operating in an environment where the funder's prominence might undermine the initiative's efforts. One such example is an initiative that works with individuals at risk of radicalization; in this case, highlighting the initiative's relationship with a government funder might hinder its ability to achieve its objectives.<sup>205</sup> Funders and systems change leaders have the difficult task of jointly deciding what is best for supporting their initiatives.



## Recommendation

### **Agree explicitly on your expectations for transparency**

One of the interview partners stated that in cooperation agreements with their funded systems change leaders, they do not have to reveal that they are funded by them.<sup>206</sup> Making it clear from the beginning what to expect, and moreover, what not to expect, can open up discussions on how much attention the foundation needs and what is best for systems change leaders.



### Case Example 5: Greenhope

#### **Greenhope understands its technology solution as just one piece of the overall goal to change the systems of plastic use and recycling.**

Greenhope seeks to replace traditional plastics in the value chains of single-use products with special plastics containing an additive that accelerates degradation – adding “return to Earth” to the other “Rs” of reduce, reuse, and recycle to help tackle the massive plastic waste pollution problem.

Greenhope’s aspiration to change the way plastic is used depends on funders who use their network and thereby amplify Greenhope’s message to universities, government agencies, and retailers. By facilitating these connections instead of only focusing on expanding the business, funders help pave the way for change in policies – like the first-ever European Strategy for Plastics in a Circular Economy – and business practices – like prohibitions on non-biodegradable plastic bags in grocery stores.

A complete shift of all single-use, non-biodegradable plastics – which currently represent 81 percent of total annual primary (i.e., nonrecycled) plastics production to biodegradable plastics would eliminate 211 million tons of waste in 2020. Assuming that plastic production increases to 460 million tons per year by 2030, the cumulative amount of waste which can be eliminated by biodegradable plastics between 2020 and 2030 is about 5,080 million tons by 2030.







**Conclusion**

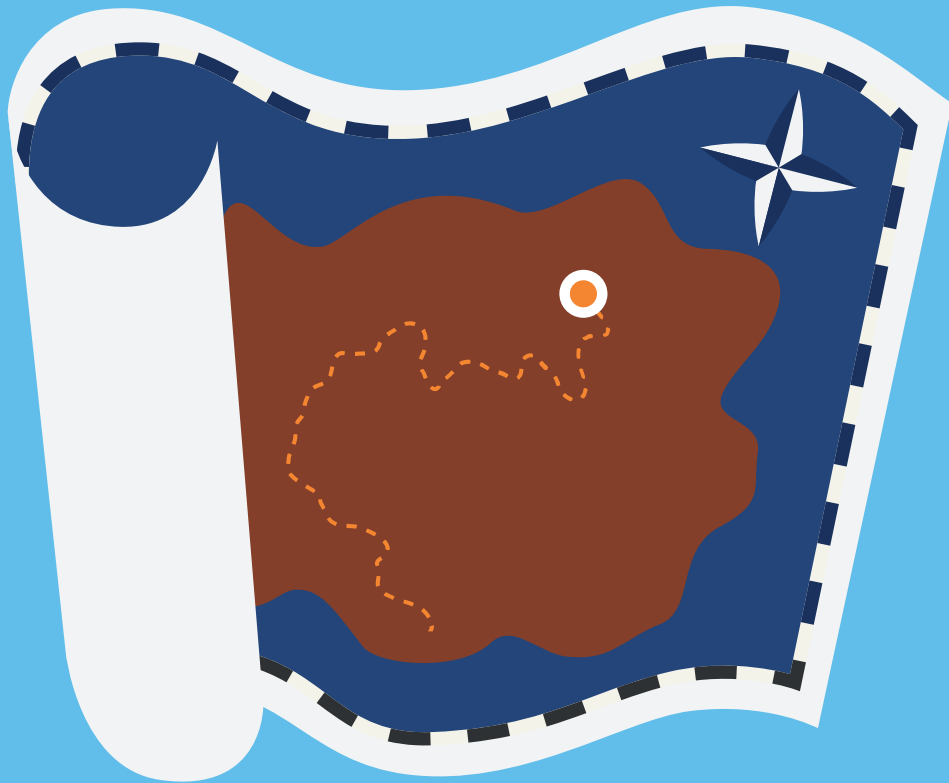
As we have outlined in this report, systems change is a long-term process that requires patience, learning, and collaboration. As the funding community moves towards greater support for these systems-level efforts, we can better drive the deep and lasting social change that will create a world of prosperity, equity, and sustainability for all.

In this report, we have aimed to share what we have learned in our individual and often joint journey towards supporting systems change efforts. Building on existing literature, a survey of systems change leaders, and interviews with funders, intermediaries, and systems change leaders, we have synthesized five principles that reflect the characteristics of systemic funders:

1. Embrace a systems mindset
2. Support evolving paths to systems change
3. Work in true partnership
4. Prepare for long-term engagement
5. Collaborate with other funders and stakeholders.

We hope this report can contribute to a transformation of the funding system itself, by helping the funding community – including philanthropists, foundations, impact investors, corporate donors, government agencies, and multilateral organizations – fundamentally rethink and redesign the way systems change efforts are being supported.

We have said it multiple times: collaboration is a key factor in changing systems. By publishing as a group of partners, we hope to send a signal to the sector about the importance and urgency of collaborative action to further systems change and invite you to join us on this journey.



# Our Journey and Request

Our organizations, together with systems leaders, funders, and other partners, have shaped and advanced the field of social entrepreneurship and approaches towards systems change.

With this report, we are attempting to consolidate existing best practices through research and our shared experiences and learning. In this process, we have identified areas for more in-depth analysis as well as an authentic appetite for a field-wide dialogue to inform institutional action and sector-wide evolution in funding strategies. While we lean on our extensive experience in supporting effective social change, we remain conscious of the limitations of our mental models and the need to invite others to co-create with us.

Based on the findings and recommendations in this report, we are interested in exploring the following questions:

1. How can we collectively mount a credible and effective set of systems change interventions, targeting the system of social change funding (i.e., our own field)? What is our strategy?
2. How have other funders implemented practices similar to those recommended in this report? What has and has not worked? Who are the examples we and others can emulate?
3. How can internal change processes be accelerated? What are proven tactics to influence colleagues and leaders?
4. How can we collaborate with other networks of funders and practitioners who are exploring similar themes (acknowledging the privileged position of funders in the system)?
5. How can we be a resource for those who want to learn about systems change in partnership with us?

We are committed to supporting the journeys of those interested in learning about systems change, amplifying the best practices in supporting systems change, and shaping new norms collectively with you. As you read through this report, it may have elicited questions, critiques, and connections, and you may even become interested in initiating or accelerating your institutional change journey. If we've piqued your interest, then please reach out by writing to [info@catalyst2030.net](mailto:info@catalyst2030.net). Together, let's explore how we can transform the field so we are all better equipped to address the many urgent challenges bearing down on humanity today.

Looking forward to hearing from you,

*Konstanze Frischen (Ashoka), Jeroo Billimoria (Catalyst 2030), Silvia Bastante de Unverhau (Co-Impact), Cheryl Dorsey (Echoing Green), Matthias Daub (McKinsey & Company), François Bonnici (Schwab Foundation), Shivani Garg Patel (Skoll Foundation), Jeremy Oppenheim (SYSTEMIQ), and other contributors to this report*



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# Methodology

We used a mixed-methods approach in the development of this report to capture previously published knowledge as well as the wisdom of practitioners. The following provides an overview of the qualitative and quantitative methods used.

**Literature review.** We reviewed existing books, reports, and articles on systems change and funding practices (see bibliography section) to identify common themes in strategies, practices, and activities regarding funding systems change approaches among our partner organizations and beyond. Through an iterative process, we distilled these common themes into five principles in collaboration with funders, intermediaries, and systems change leaders. This iterative process of refining helped ensure that the perspectives of all partner organizations were reflected in the final set of principles.

**Survey with systems change leaders.** We created an online survey covering key aspects of the five principles we had distilled from an initial literature review to validate these with systems change leaders and gather evidence for our recommendations. The survey contained both multiple-choice and free-text formats, with no forced answers (i.e., all questions were optional). It was disseminated through five of our partner organizations (Ashoka, Catalyst 2030, Echoing Green, Co-Impact, Schwab Foundation), who chose which systems change leaders were asked to participate in the survey. While participation in the survey was completely voluntary, we offered a lottery for ten vouchers for a one-year digital SSIR subscription or another publication or gift card of comparable value.

113 systems change leaders participated in the survey and completed it in an average time of 23 minutes. On average, 83 percent of participants answered each question. The percent values we report refer to the total number of responses per question (i.e., N may be smaller than 113 for each individual question). Survey respondents come from nearly every continent and mostly (90 percent) belong to the executive level of their organization. Almost four in five (78 percent) have worked in the social sector for more than a decade and more than half receive funding from more than one funder.

It is important to note that our sample reflects a strong selection bias, as most survey respondents receive at least some support from one of our partners to do systems change work. Even so, many responses indicated that funding practices are often not adequate for systems change work. We hypothesize that responses would differ for a broader sample of change leaders, including those that are capable of working on a systems level but do not currently receive funding to do so.

**Live interviews with systems change leaders on sustainability.** We further interviewed a small number of systems change leaders who are part of Catalyst 2030. They were selected for their long experience in, and deep understanding of, systems change work, as well as a focus on sustainability work. These systems change leaders shared their thoughts on the five funding principles as well as their personal experiences in the area of systems change, which helped inform our case examples.

**Live interviews with funding organizations.** We conducted semi-structured phone interviews with representatives of more than 25 different organizations in the funding community, including funders and intermediaries (see list in the appendix). Interview partners were selected through a snowball sampling approach, as partner organizations established most of these connections. The interviews served to validate the five principles proposed in this report and capture interview partners' recommendations on how funders looking to evolve their practices towards better support for systems change efforts might get started. While we mostly interviewed organizations (primarily foundations) that were already familiar with the concept of systems change, we also had conversations with impact investors, CSR representatives, and public sector representatives to understand the differences and similarities in their funding practices.

# Additional survey findings

We conducted an online survey to provide evidence for our recommendations and statements made in this report. 113 systems change leaders completed the survey with a response rate of 83 percent. The survey covers the five principles for funding systems change efforts that all partner organizations share. In the following, the results are shared along the five principles to deliver in-depth understanding as well as comprehensive insights about the received feedback.

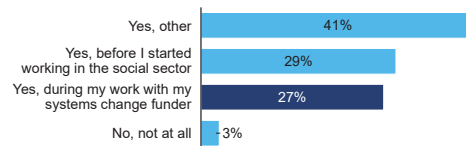
## Survey questions regarding Principle 1: Embrace a systems mindset

**97 percent of systems change leaders are familiar with systems change and consider it a goal for their initiative. This demonstrates the great necessity to focus on and embed systems change in their organizations as fast as possible.**

The first four questions provide information on how far systems change is known and spread between funders and systems change leaders. These questions were designed to get a deeper understanding of whether funders have a clear vision for systems change and if they have already embedded systems change in their culture, strategy, and governance. Furthermore, we would like to know if funders were proactively looking for funding opportunities to support promising systems change leaders.

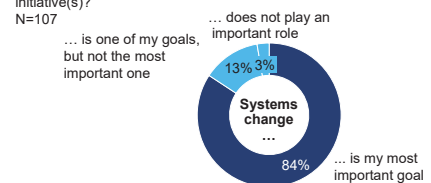
**Participants of our survey are familiar with the concept of systems change – only a quarter were introduced to it by funders**

Are you familiar with the concept of systems change?  
If yes, where did you learn about the concept?  
N=111



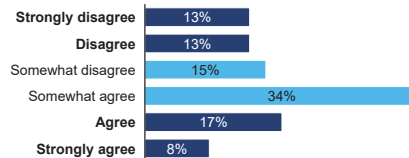
**Four out of five respondents define systems change as their most important goal**

To what extent do you consider systems change a goal for your initiative(s)?  
N=107



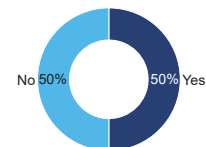
**Respondents are divided: ~25% agree that funders focus sufficiently on systems change, a similar amount disagrees; half of respondents do not have a clear opinion**

My current funders focus on systems change sufficiently.  
N=111



**Every second respondent was contacted by systems change funders without actively reaching out to them**

My current funders initially reached out to me because parts of my initiative fit well with their systems change vision.  
N=109



## Survey questions regarding Principle 2: Support evolving visions

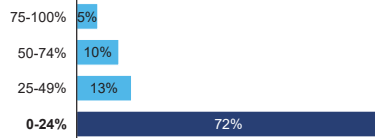
**57 percent of systems change leaders are convinced that investing in learning and capability-building measurements can increase their effectiveness of achieving systems change, whereby almost three quarters of them receive only a quarter or less of their funding as unrestricted funds.**

The second part of the online survey poses questions regarding financial and nonfinancial support which systems change leaders receive from funders. Answers to these questions

help better understand the necessity and importance of this kind of support for achieving systems change and how it can be funded in a more effective and targeted way.

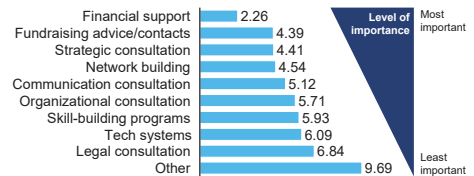
**Seven out of ten participants receive less than a quarter of unrestricted funds**

What share of your funds are unrestricted and can be used for non-program work (e.g., skill-building programs, conferences, scientific studies)?  
N=97



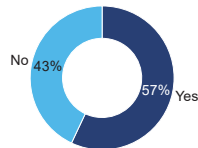
**Systems change leaders perceive financial and fundraising support as most important**

What kind of support is most important to you to achieve systems change?  
N=97



**Systems change leaders are split on the effectiveness of the nonfinancial support they receive**

The nonfinancial support I receive is effective for driving systems change with my initiative.  
N=96



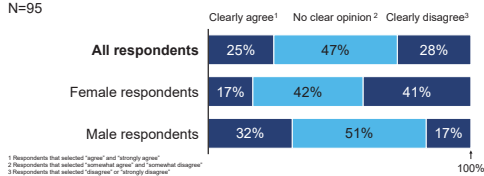
**Survey questions regarding Principle 3: Work in true partnership**

75 percent of participants have regular, honest, and respectful discussions with their funders, whereby just 25 percent agree that they work in true partnership with them. This indicates that recognizing the power dynamics between funders and systems change leaders is highly important for improving collaboration between both players.

The following four questions are aimed at getting a more concrete feel of the relationship between funders and systems change leaders. The focus of this survey section lies especially on the nature of this relationship between funder and systems change leaders, the recognition of power dynamics between those two parties, as well as reporting.

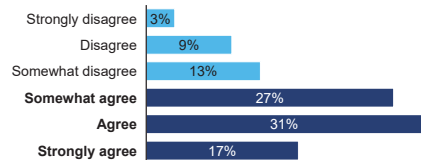
**Respondents are divided: 28% agree that they work in true partnership with their funders, 25% disagree; half of respondents do not have a clear opinion**

My funders and I have a partnership of equals.  
N=95



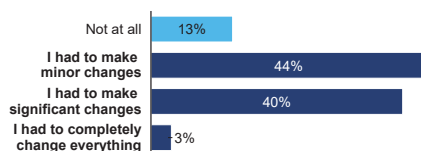
**The majority (75%) of respondents report having regular honest and respectful discussions**

My funders hold regular honest and respectful discussions with me about the progress of my initiative.  
N=95



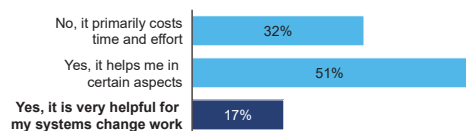
**Nine out of ten participants report having had to make changes to their goals and processes that were driven by funders**

To what extent did you have to adjust your goals or operating processes due to a funder (e.g., timelines due to funding cycles)?  
N=92



**One third of respondents primarily see reporting as a burden, less than 20% consider it "very helpful"**

Does reporting support you in doing systems change work?  
N=94





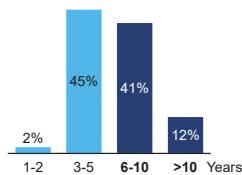
## Survey questions regarding Principle 4: Prepare for long-term engagement

Although 53 percent of systems change leaders' initiatives take longer than five years, more than 50 percent of leaders complain that they don't receive the necessary support for a multiyear timeline and 68 percent of them claim that funders don't sufficiently support them when their initiatives pivot.

In the fourth part of the online survey, we learned more about the time initiatives take and how often initiatives pivot along the path to achieving systems change. This understanding is crucial for funders to be realistic about the time frame systems change leaders need to achieve systems change as well as to be clear about the changing path of a social initiative.

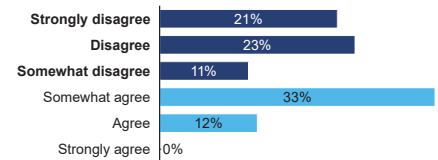
### More than 50% of respondents say that systems change requires more than five years of funder support

To achieve systems change, parts of my initiative need at least X years of funder support.  
N=95



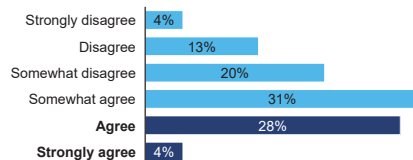
### More than 50% of respondents say that funders do not provide necessary multiyear support – none strongly agree that they do

My funders provide the necessary support for the multiyear timeline necessary to achieve systems change.  
N=94



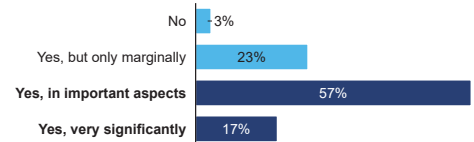
### Only one third of respondents agree or strongly agree that their funders are supportive of changes and pivots

My funders are supportive when a change/pivot in the initiative occurs.  
N=95



### Three in four respondents (74%) report that their initiatives have experienced major changes along the way

Has your systems change initiative already changed/pivoted along the way?  
N=95



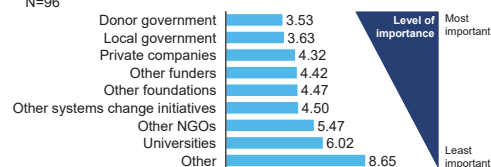
## Survey questions regarding Principle 5: Collaborate with other stakeholders

A stronger collaboration with donor and local governments can help systems change leaders be more efficient and achieve systems change faster. Half of the participants have stated that their initiative is supported by more than one funder.

In the last survey section, we asked systems change leaders questions regarding the collaboration of funders with other stakeholders, e.g., governments and industries. These answers underline the need for collaboration to enhance efficiency through coordinated actions and for building up a strong network for sharing experiences and expertise within the community.

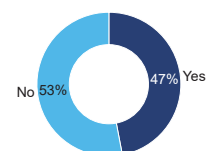
### Respondents perceive most substantial impact potential in stronger collaboration with donor and local governments

A stronger collaboration between the following parties could have substantial positive impact for parts of my initiative and my work to change systems.  
N=96



### Half of the respondents indicated that their initiative is supported by a collaboration of two or more funders

Parts of my initiative are supported by collaboration between two or more funders that actively work together to support me.  
N=93



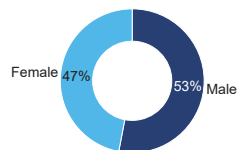
## Survey questions regarding demographics

There is no gender gap between participants of this survey. They are spread out all over the world with a larger concentration in Asia. 90 percent of the respondents work at the executive level and are highly experienced in the social sector with relevant working experience of more than 10 years. The size of their organizations varies – from more than 100 FTEs to less than 5 FTEs.

The last section of the online survey contains demographic questions to get an overview of the type of participants and how experienced they are in their systems change work. Additionally, we wanted to understand in which regions they operate, what their funding looks like, and how their organizations are defined.

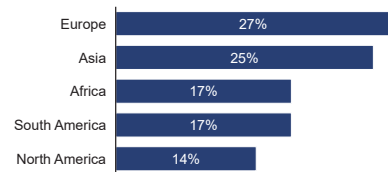
### Demographics: male and female respondents are almost evenly balanced

What gender do you identify with?  
N=88



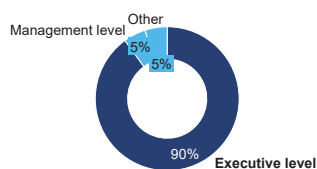
### Demographics: participants are spread all over the world

Where are you based geographically?  
N=87



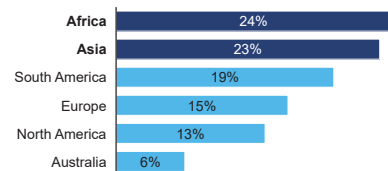
### Demographics: nine out of ten participants work on executive level

Which of the following describes your role in your organization?  
N=86



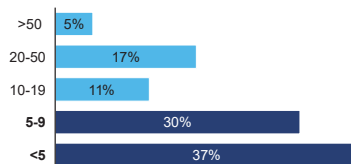
### Organizations are operating all over the world, with almost one quarter each in Africa and Asia

On which continents does your organization operate?  
(Multiple answers are possible)  
N=88



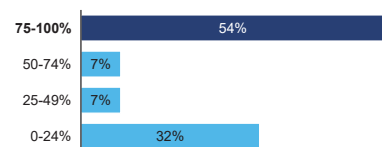
### Two thirds of participants are supported by less than ten funders

What is the current number of organizations which support you with some form of funding?  
N=87



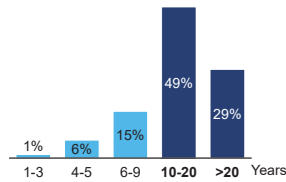
### More than half of respondents indicated that they have more than 75% nonrepayable funding

What share of your funding is nonrepayable?  
N=88



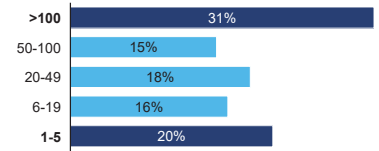
**Respondents have extensive experience in the social sector: almost 80% have been active for more than ten years**

How many years have you been active in the social sector?  
N=87



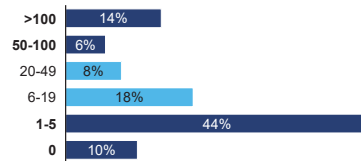
**Organization size varies: ~30% of respondents have more than 100 FTEs, 20% work with 5 FTEs or less**

How many people (FTEs) work for your organization full-time, excluding volunteers?  
N=88



**Intern/volunteer engagement varies as well: more than 50% of respondents work with fewer than 5, ~20% work with 50 people or more**

Do you have interns/volunteers who support your organization on a regular basis? If yes, how many?  
N=87



# Interview partners

The table below provides an overview of the organizations we interviewed. For some organizations, we conducted multiple interviews with different experts.

We thank all our interview partners for taking the time to share their valuable insights and thoughts with us and for being both critical and supportive of us.

Organization	Classification
Agenda for Change	Systems change leader
Ashoka	Partner organization
Auridis Foundation GmbH	Foundation
Barefoot College	Systems change leader
Bioregional	Systems change leader
Blue Ventures	Systems change leader
Bucerius Law School – Institute for Foundation Law and the Law of Non-Profit Organizations	Academia
Catalyst 2030	Partner organization
Chandler Foundation	Foundation
Center for Digital Inclusion	Systems change leader
Children’s Investment Fund Foundation	Foundation
Climate Works	Foundation
Co-Impact	Partner organization
Kurt und Maria Dohle Stiftung	Foundation
Echoing Green	Partner organization
END Fund	Foundation
EQT Partners	Investment fund
FASE – The Financing Agency for Social Entrepreneurship	Impact investor
Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, Department 313	Government agency
Garfield Foundation	Foundation
Goonj	Systems change leader
Greenhope	Systems change leader
Hilton Foundation	Foundation
Ikea Social Entrepreneurship	Corporation
Imagine	For-profit company and foundation
Institute for Ecological Research (IPE)	Systems change leader
KR Foundation	Foundation
McKinsey & Company	Facilitator
Mountain Philanthropies	Foundation
Munich Business School	Academia

Novo Nordisk Foundation	Foundation
Osprey Foundation	Foundation
Philanthropy U	Foundation
Phineo	Philanthropy advisory
Recore	Systems change leader
Robert Bosch Stiftung	Foundation
Rockefeller Philanthropy Advisors	Philanthropy advisory
Schwab Foundation	Partner organization
SEND e.V. (Social Entrepreneurship Network Germany)	Interest group
Skoll Foundation	Partner organization
Suncor Energy Foundation	Foundation
SYSTEMIQ	Facilitator
TrueFootprint	Systems change leader
UN Foundation	Foundation
UnLtd	Foundation
Water for People	Systems change leader

### Other Voices

*“To transcend the compounding crises of our times – including climate change, rising inequality and the erosion of democracy – philanthropy must help humanity become adept at systemic change. This guide is a timely and essential resource for supporting this epochal shift.”*

– Stephen Huddart, President & CEO McConnell Foundation

*“These recommendations are like a roadmap, a solid companion of sorts, for foundations that believe in system change but do not know how to start. We live in challenging times with great social, economical and environmental challenges; we need big and bold actions and this report articulates how funders can step up as allies for systems change.”*

– Claude Pinard, Executive Director of the Fondation Mirella et Lino Saputo

# Thank you

Ashoka would like to acknowledge all the partners who participated in our yearly study with McKinsey. We are humbled by the enthusiasm and dedication with which everybody joined in and would like to thank our colleagues for their trust and willingness to co-create. We hope that this report will lead to further collaborative work on improving funding for systems change efforts, with even more partners getting involved. We couldn't be more excited.

Odin Mühlenbein, Ashoka Germany  
Florian Rutsch, Ashoka UK

We thank all interview partners and survey participants who took the time to answer our questions and introduced us to additional players in the sector. Moreover, we thank all contributors who reviewed our drafts and helped us refine this report through their feedback.

## Partners

### Ashoka

Odin Mühlenbein  
Florian Rutsch  
Diana Wells  
Konstanze Frischen  
Manmeet Mehta

### Catalyst 2030

All the Catalyst 2030 social entrepreneurs, innovators, and their teams

### Co-Impact

Silvia Bastante de Unverhau  
Sara Hussein  
Olivia Leland  
Rakesh Rajani

### Echoing Green

Cheryl Dorsey  
Liza Mueller

### Schwab Foundation

François Bonnici  
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Goy Phumtim  
Ahmed Soliman

### Skoll Foundation

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# Endnotes

- 1 The amount consists of Official Development Assistance (ODA) + Private Flows at Market Terms + Net Private Grants; <https://stats.oecd.org/Index.aspx#> (Development > Flows by provider > Total flows by donor [DAC1]).
- 2 OECD, p. 4.
- 3 See Bradach and Grindle (2017).
- 4 The bibliography contains the sources that informed our thinking in this report but does not constitute an exhaustive review of all systems change literature.
- 5 See, e.g., Sachs et al. (2019).
- 6 OECD (2019); see also Social Progress Imperative (<https://www.socialprogress.org/>)
- 7 United Nations (2019).
- 8 UN SDG Report, p. 4.
- 9 Shepard (2019).
- 10 McKinsey & Company (2018).
- 11 World Economic Forum (2016).
- 12 UN, The Sustainable Development Goals Report – 2019, p. 8.
- 13 UN Women, Gender Equality as an Accelerator for Achieving the Sustainable Development Goals, p. 8.
- 14 See, e.g., Ahmad (2019).
- 15 For a good visualization of these interdependencies, see the International Science Council (2017).
- 16 Some might perceive the SDGs' emphasis on specific outcome indicators as conflicting with a systems perspective. As a set of goals for a more sustainable, peaceful, and prosperous future, they generally capture the many pressing challenges being targeted by systems change leaders at local to global levels.
- 17 This is one definition of systems change that we have aligned on for this report. There are several others – our bibliography provides a good starting point for more detailed understanding of them.
- 18 Interview partner 46.
- 19 Interview partner 17.
- 20 Interview partner 45.
- 21 These are sometimes referred to as endgames; see Gugelev, A. and Stern, A. (2015) for a perspective on endgames for individual organizations leading systems change, and Mühlenbein (2019) for endgames on a systems level.
- 22 Gugelev, A., Stern, A. (2015), p. 45; interview partner 47.
- 23 Kania, Kramer, Senge (2018); see also Meadows (1999).
- 24 Gugelev, A., Stern, A. (2015), p. 44; particularly deep forms of systems changes that relate to changing mindsets or mental models are also referred to a framework changes (see Wells, 2018).
- 25 See Wells (2018) for more details on the difference between (scaled) direct service and systems change.
- 26 Gugelev, A., Stern, A. (2015), p. 41.
- 27 Walker, J. C. (2017); interview partner 47.
- 28 Gugelev, A., Stern, A. (2015), p. 45.
- 29 Walker, J. C. (2017).
- 30 Leland, O. (2017).
- 31 Ashoka, McKinsey & Company (2019).

32 Leland, O. (2017).

33 Gugelev, A., Stern, A. (2015), p. 43.

34 Gregory, A. G., Howard, D. (2009).

35 Zimmer, Pearson (2018).

36 Dicks (2018).

37 Compare Reich (2018) on the role philanthropy could play in supporting innovation with long time horizons.

38 See, e.g., Rockefeller Philanthropy Advisors (2018) for case examples.

39 Rockefeller Philanthropy Advisors (2017).

40 Rockefeller Philanthropy Advisors (2018).

41 Rockefeller Philanthropy Advisors (2019).

42 Worsham, Clark, Fehrman (2017).

43 Worsham, Langsam, Martin (2018).

44 Clark, Langsam, Martin, Worsham (2018).

45 Worsham, Langsam, Martin (2019).

46 Co-Impact Handbook (2019), p. 15.

47 Rutsch (2019), p. 27; see also the Trust-Based Philanthropy Project for further reading on trust-based relationships between funders and systems change leaders, <https://trustbasedphilanthropy.org/>

48 Rockefeller Philanthropy Advisors (2018), pp. 8–9, 21; Co-Impact (2019), p. 15.

49 Rutsch (2019), p. 33..

50 Since systems can be analyzed at very different levels, it is important to define some boundaries to keep complexity at a manageable level. However, the way individuals and organizations define these boundaries is inevitably influenced by their own perspective on the system. (See the Systems in Evaluation Topical Interest Group of the American Evaluation Association, 2018).

51 Interview partners 28, 31.

52 Rutsch (2019, p. 26); interview partner 45; Seelos (2020, p. 40).

53 Shaffer and Troll (2019); interview partners 43, 45, 46.

54 Interview partner 19.

55 Rockefeller Philanthropy Advisors, pp. 6–9 contain concrete examples and further reading on theories of change.

56 Kania, Kramer, Senge (2018), p. 5.

57 Interview partner 23.

58 Kania, Kramer, Senge (2018), p. 15.

59 Rutsch (2019, p. 17; Schwab Foundation/Bertha Centre for Social Innovation and Entrepreneurship (2017), p. 18.

60 Interview partner 21.

61 Interview partners 11, 21.

62 Interview partner 23.

63 Interview partner 17.

64 Interview partner 27.

65 Interview partner 23.

66 These could be the first steps towards organizational change. Discussing organizational changes in more detail would go beyond the purpose of this report.

67 Interview partner 23.

68 Rutsch (2019), p. 23.



69 Please note that our sample consists of respondents that work with at least  
one partner organization (but might have additional funding partners). We  
hypothesize that this likely overstates the degree to which the broader funding  
community proactively reaches out to systems change leaders.

70 Kania, Kramer, Senge (2018), p. 5.

71 Baichorova, Williams (2019), compare also Papi-Thornton (2016b).

72 Dorsey (2019); there are also multiple efforts that emphasize community  
aspects in systems change work, such as CommunityQ and Global Grassroots.

73 Co-Impact (2019), p. 22.

74 Interview partner 37; Dorsey (2019) also provides helpful ideas on how to address  
structural inequalities.

75 Trust-Based Philanthropy Project. (n.d.), p. 1.

76 See <https://initiative-chefsache.de/en/how-to-avoid-unconscious-bias> for  
a short introduction to avoiding unconscious biases. McKinsey & Company (2017).

77 Interview partners 2, 48.

78 Co-Impact (2019), p. 11; Rutsch UK (2019), p. 12.

79 Baggio, Budinich (2019).

80 Co-Impact (2019), p. 10.

81 Interview partner 45.

82 Gregory, Howard (2009).

83 Interview partner 49.

84 Clark, Langsam, Martin, Worsham (2018).

85 Rockefeller Philanthropy Advisors (2017), p. 7.

86 Zimmer, Pearson (2018).

87 Baggio, Budinich (2019).

88 Rutsch (2019), p. 28.

89 Worsham, Langsam, Martin (2018).

90 Walker, J. C. (2017).

91 Interview partner 47.

92 Rockefeller Philanthropy Advisors (2019), p. 12.

93 Interview partner 50.

94 Interview partner 43.

95 Interview partner 48.

96 Clark, Langsam, Martin, Worsham (2018); Co-Impact (2019), p. 9.

97 E.g., leadership, facilitation, or collaboration techniques; interview partner 8.

98 Gregory and Howard (2009).

99 Papi-Thornton (2016a).

100 Interview partner 11.

101 Zimmer, Pearson (2019).

102 Zimmer, Pearson (2018).

103 Zimmer, Pearson (2019); High Resolves (2019), 3.

104 Interview partner 11.

105 See also Wells, Sankaran (2016).

106 Rahman, Fenech, Freeman, Herbst, Matielo (2018).

107 Worsham, Langsam, Martin (2018); interview partner 47.

108 Worsham, Clark, Fehrman (2017).

109 Interview partner 47.

- 110 Schwab Foundation/Bertha Centre for Social Innovation and Entrepreneurship (2017), p. 12.
- 111 Clark, Langsam, Martin, Worsham (2018).
- 112 Interview partner 48.
- 113 Interview partner 36.
- 114 Walker, J. C. (2017).
- 115 Worsham, Clark, Fehrman (2017).
- 116 Worsham, Langsam, Martin (2018); interview partners 43, 47.
- 117 OECD (2017), p. 6.
- 118 Private Philanthropy for Development in 2017 (2017), p. 6.
- 119 Rutsch (2019), p. 14.
- 120 Respondents that selected “agree” or “strongly agree.”
- 121 Interview partner 47; a similar anecdote can be found in Reich (2018), p. 146.
- 122 Rockefeller Philanthropy Advisors (2017), p. 15; Schwab Foundation/Bertha Centre for Social Innovation and Entrepreneurship (2017), p. 18.
- 123 Co-Impact (2019), pp. 15, 33; Rutsch (2019), p. 24.
- 124 Interview partner 45.
- 125 Co-Impact (2019), p. 15.
- 126 Interview partners 24, 33.
- 127 Interview partner 13.
- 128 Co-Impact (2019), p. 5.
- 129 Interview partner 43.
- 130 Phineo (2019), p. 4.
- 131 Compare Kania, Kramer, Senge (2018), p. 16.
- 132 Interview partner 32.
- 133 Rockefeller Philanthropy Advisors (2017), p. 19.
- 134 Villanueva (2018), pp. 129–130.
- 135 Rockefeller Philanthropy Advisors (2017), p. 15; Rutsch (2019), p. 24.
- 136 Interview partner 44.
- 137 Interview partner 44.
- 138 Keeping in mind the recommendations on being mindful of systems change leaders’ resources (see the final part of this chapter).
- 139 Interview partner 47.
- 140 See, e.g., Clark, Langsam, Martin, Worsham (2018), Leland (2017).
- 141 Interview partner 48.
- 142 Co-Impact (2019), pp. 14, 38; see also Gugelev, A., Stern, A. (2015), p. 43.
- 143 Rutsch (2019), pp. 14–15.
- 144 Co-Impact (2019), p. 35.
- 145 Co-Impact (2019), pp. 14, 32.
- 146 Co-Impact (2019), p. 15.
- 147 Quote from online survey participant; edited for clarity.
- 148 Quote from online survey participant; edited for clarity.
- 149 Quote from online survey participant; edited for clarity.
- 150 Rutsch (2019), p. 22.
- 151 Interview partner 44.
- 152 Interview partner 18.
- 153 Interview partner 44.

- 154 Interview partner 16.
- 155 Rutsch (2019), pp. 14-15
- 156 Interview partner 2.
- 157 Interview partner 49.
- 158 See, e.g., Clark, Langsam, Martin, Worsham (2018); Co-Impact (2019), p. 15; Ashoka UK (2019), p. 25.
- 159 Interview partner 49.
- 160 Interview partner 51.
- 161 Interview partner 51.
- 162 Interview partners 4, 48.
- 163 Gregory and Howard (2009).
- 164 Ashoka UK (2019), p. 15; Seelos (2020), p. 40.
- 165 Rutsch (2019), p. 14.
- 166 Worsham, Langsam, Martin (2018).
- 167 Clark, Langsam, Martin, Worsham (2018).
- 168 Seelos (2019), p. 30.
- 169 Interview partner 32.
- 170 Interview partner 40.
- 171 Rutsch (2019), pp. 16–17.
- 172 Interview partner 14.
- 173 Respondents who selected “agree” or “strongly agree.”
- 174 Clark, Langsam, Martin, Worsham (2018).
- 175 Known as the Cynefin Framework (“probe, send, respond”), Vexler (2017).
- 176 Co-Impact (2019), p. 13; interview partner 45.
- 177 Baggio, Budinich (2019).
- 178 Rutsch (2019), p. 25; interview partners 11, 23.
- 179 Schwab Foundation/Bertha Centre for Social Innovation and Entrepreneurship (2017), pp. 12–14.
- 180 Worsham, Langsam, Martin (2018).
- 181 Interview partner 39.
- 182 Interview partner 32.
- 183 Rockefeller Philanthropy Advisors (2018).
- 184 See Leland (2017) for an example of unified reporting.
- 185 Quote from online survey participant.
- 186 Quote from online survey participant, edited for clarity.
- 187 Quote from online survey participant, edited for clarity.
- 188 Interview partner 35.
- 189 Interview partner 36.
- 190 Interview partner 26; Boorstin (2013) emphasizing a similar idea multidisciplinary funder teams.
- 191 Interview partner 47.
- 192 Rockefeller Philanthropy Advisors. (2018), p. 4.
- 193 Interview partner 36.
- 194 Rockefeller Philanthropy Advisors (2017), p. 19; Co-Impact (2019), p. 9.
- 195 See above, box in Principle 3; On collaboration between for-profit and citizen sector: “A New Alliance for Social Change”, Harvard Business Review, co-authored by Valeria Budinich and Bill Drayton (September 2010).

- 196 Interview partners 13, 46; Co-Impact (2019), pp. 10, 12.
- 197 Interview partner 13.
- 198 Interview partner 50.
- 199 Powell, Wolf Ditkoff, Twersky (2019).
- 200 Interview partner 46.
- 201 Interview partner 26.
- 202 Interview partners 20, 46; Rutsch (2019), p. 28.
- 203 Interview partner 47.
- 204 Interview partner 47.
- 205 Interview partner 55.
- 206 Interview partner 48.

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