Taking risks and achieving greater impact: A view from global foundations
# Introduction

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# Systems change and risk: The background

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# A view from foundations: approaches to this work

# Building culture and capacity

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Introduction

Philanthropic foundations play a critical role in the landscape of social change. They leverage largely private money for the good of society, by identifying problems in the world and funding solutions. Traditionally, this practice has been largely reactive, plugging funding and expertise gaps but not necessarily working to avoid these gaps appearing in the first place.

Many funders are increasingly interested in how they can adopt a systems mindset and approach to the way they fund. Many are starting to think more holistically about their role and how they work, moving away from traditional project output-based funding to mapping systems, understanding the best leverage points and working with others to fund larger scale initiatives.

About the retreat

In September 2018, SIX partnered with the Fay Fuller Foundation to host a retreat in Adelaide, Australia. Philanthropic foundations from around Australia and across the globe gathered alongside systems change practitioners to explore how funders can take more risks and be more systemic to ultimately increase their impact.

Key questions we explored included:

- What does risk look like when you work from a systems change perspective?
- What are the different roles funders can play in supporting systems change?
- What does it mean to develop a culture and capacity for systems change?
- What are different approaches to systems change?

About SIX’s work with funders

This work is part of the SIX Funders Node, a programme within SIX that shifts funders to be more systemic in their thinking and practice and increase the flow of funding to social innovation and systemic change.

SIX convenes, challenges, coaches and translates global trends to funders interested in working in this way. Retreats are an important part of the programme, helping to foster purposeful conversations to shift thinking and practice, connect funders to their global peers and highlight success stories.

Over the past 3 years, SIX has hosted 5 retreats on Systems Change, Aligning for Impact, Strategic Foresight and Data. The results of the 2016 Wasan Island retreat on systems change fed into this gathering on systems change and risk in Adelaide.

If you interested in knowing more, please email jordan.junge@socialinnovationexchange.org.
About this report

This report highlights and shares our learning and insights from the retreat. We first provide a background into systems change thinking and the risks involved, highlight the variety of approaches funders are taking in this work, the skills and capabilities needed to engage in systems change, the different roles for funders in this work, considerations to address and key questions to ponder for the future, and end with our plans for the future.

We hope our insights and learning will inspire others who want to be more systemic in their approach and practice. Please get in touch to learn more or if you want to be involved in future collective efforts in Australia and globally.

Who was there

1. Cat Fay, Perpetual, Victoria, Australia
2. Carolyn Curtis, The Australian Centre for Social Innovation, South Australia
3. Dr. Christina Howard, Todd Foundation, New Zealand
4. David Minns, Wyatt Trust, South Australia
5. Dr. Francois Bonnici, The Bertha Centre for Social Innovation and Social Entrepreneurship, South Africa
6. Grant Hooper, Equity Trustees, Victoria, Australia
7. Helene Bie Lilleør, Rockwool Foundation, Denmark
8. John Spierings, Reichstein Foundation, Victoria, Australia
9. Jordan Junge, SIX, UK
10. Lani Evans, Vodafone Foundation New Zealand, New Zealand
11. Louise Pulford, SIX, UK
12. Maree Sidey, Australian Communities Foundation, Victoria, Australia
13. Markus Lux, The Robert Bosch Foundation, Germany
14. Morag Burnett, Lankelly Chase, UK
15. Nicole McDonald, McConnell Foundation, Canada
16. Paul Steele, Donkey Wheel Foundation, Victoria, Australia
17. Rachel Kerry, CAGES Foundation, New South Wales, Australia
18. Sarah Davies, Philanthropy Australia, Victoria, Australia
19. Simon Freeman, Paul Ramsay Foundation, New South Wales, Australia
20. Stacey Thomas, Fay Fuller Foundation, South Australia
21. Sue Wicks, Comic Relief, UK
22. Teya Dusseldorp, Dusseldorp Forum, Australia
Systems are all around us. They can be physical or social and socially constructed. They can be big or small. We are all part of multiple systems - whether that’s our familial systems or neighbourhoods, or larger systems like the education, healthcare or food system.

Systems are complicated and complex - shaped by relationships, patterns and resources and are ever changing. This complexity is defined by the different variables that make them up - including people, organisations, infrastructure, rules, resources and more.

The social challenges we’re trying to solve are often at the intersection of multiple systems. ‘It’s often most complex at these points of interaction - where people interface with the system(s)’. 
What is systems change?

Systems change refers to changing patterns within these systems that encompass our lives. There are several different ways this work is being approached:

- Addressing the root causes of problems
- Engaging in complexity
- The big bets world of philanthropy (popular in many North American conversations)
- Fundamental changes of power structures - exploring how to create a fundamentally different shift to policy, power, and relationships (drawing more from advocacy and social justice)

This field has drawn inspiration from the natural ecological world and resilience theory. Resilience theory identifies four distinct phases in the adaptive cycle - reorganisation, exploitation, conservation and release. The publication Mapping Momentum, which was published for our 2016 systems change SIX Funders Node retreat, adapts this language with further inspiration from the natural world - germination, growth, conservation and creative destruction in a loop - and highlights the different roles necessary for each stage. Further systems frameworks and subsequent case studies can be found in this report from SIX’s first Funders Node retreat on the topic in 2016 here.

This field recognises the complexity of dynamic systems and the difficulty in creating new patterns. In terms of funding and supporting this work: it is often characterised by relationships of trust to work through the unknown and a move away from demanding prescriptive short-term outputs to longer-term unrestricted funding, knowing that the outcomes aren’t guaranteed. There is a move beyond project management cycles to more iterative learning loops. It is defined by moving from purely transactional relationships to more transformative ones.

In many conversations, there is a conflation and confusion of scale and systems change. Although connected; they’re not the same thing, nor are they mutually exclusive.

‘How do we reshape and take power? This is the journey. Perhaps it’s not about taking away power but sharing it.’

Why are foundations engaging in systems change?

Globally, we have seen more and more foundations adopting a systems approach to their work. Why? For some, they’ve realised that funding individual projects in isolation will not have the desired impact they seek.
The role of risk

Funding systems change initiatives can be perceived as more risky than standard project funding. Systems change initiatives move away from prescriptive outputs to working longer-term, in partnership and where the unknowns are less known. Many of these initiatives are the opposite of how many foundations operate, and often involve an element of letting go of control. Risks for foundations can include:

- Reputational risk
- Financial risk
- Risk of doing harm
- Risk of failure

‘After funding educational programmes for many years, we were approached by Indigenous Elders and other members of the community. After listening to them and hearing their challenges, we realised that we needed to work more wholistically to address the structural and systemic issues to make any lasting change. Educational programmes alone wouldn’t make the difference. Now we work with others to address the root causes of these challenges.’

– The Dusseldorp Forum, Australia.

For other foundations, their grantees advocated for greater freedom and flexibility to fulfil their systems change ambitions and with a proven track record and trusting relationships, foundations are listening. Others started with a grand ambition and realised a systems approach was the best way to achieve this vision.
Is the biggest risk the risk of not taking action or not acting fast enough?

Foundations are uniquely positioned to do this work. They are largely built on private money and are not democratically accountable like government. Ironically it is this lack of accountability that makes many risk averse. However, is this inaction actually a risk to those communities they’re working towards?

‘Do we take our responsibility seriously enough? Are we being ambitious enough?’

‘If we can’t take a chance, then who can?’

What does it mean to be more risky and fund systems change?

Developing more risk within an organisation doesn’t mean funding without due diligence. It means developing a culture of learning and reflection that best supports staff, trustees and grantees to engage in this work, honestly and transparently.

- **Being clear on your role in the system** - ‘Not everyone has to be as risky as possible. This is about awareness of the system and being aware of yourself and your roles’.

- **Spreading the risk in decision making** - ‘You need to prepare your staff for this transition. If only the Board or Executives claim let’s do systems change, the people who transform this into practice and prepare the reports will feel the failure and fear the most.’

- **Empower staff to make decisions, and equip them with the skills to do so** - ‘We devolved decision making down to staff and work together as a team to make these decisions - helping to spread the risk, alleviate fear of failure and build up their capacity’. 
A view from foundations: approaches to this work

Below we highlight some examples of the different ways the foundations at the retreat are working in a systemic way using a variety of tools. Some focus on changing their internal structures and grant processes, whilst others work to influence wider systems.

Getting grantees to input to processes: The Todd Foundation, New Zealand

To develop their new five-year strategy, the Todd Foundation went to their community partners and asked if you could build a new funder, what would that look like? ‘We asked them to challenge us so we could better shape our practices and strategy. Instead of the old ‘mission, vision, values’ formula, we now have a purpose statement that guides everything we do - ‘We resource communities to create sustainable, long-term social
change for children, young people and families.’ Our guiding principles showcase how we play out that purpose. This is indicative of our role - communities create the change and we are there to support them. We’re trying to work with community timeframes rather than imposing deadlines based on our budget or governance processes. It’s been a valuable lesson in letting go and refocusing on who you’re accountable to - which should the community’.

Narrowing focus and removing hoop jumping: Comic Relief, UK

Comic Relief have just changed their strategy, narrowing their focus and refining their role in the funding system: this means focussing on 4 key issues of our time as well as 2 specific approaches to social change, and moving from funding in over 40 countries to 15 . This was done in consultation with internal and external stakeholders. They also provide core funding for organisations, helping to reduce pressures on organisations doing great work. They are funding the ‘missing middle’, aiming to accelerate change for organisations with brilliant ideas. They are also funding small grassroots organisations through intermediaries and will run open calls for funding, rather than solicit applications. They are also now incorporating an advocacy and influencing function alongside their granting.

Restructuring the organisation, including the role of the trustees: Lankelly Chase Foundation, UK

Lankelly Chase Foundation have restructured the organisation internally to better approach systems change. The team are now organised around 5 ‘action inquiries’ based around 5 questions that drive them to achieve their goal of tackling multiple disadvantage (more details on their approach to change here). These inquiries are aimed to be as collective and collaborative as possible – recognising no one organisation has the answers to this complex work. The inquiries aim to create the conditions for systems to behave and function to best support those living with severe and multiple disadvantage. The budget is divided to look directly into these action inquiries and the Executive Team has the discretion to spend the money as they see fit. The Trustees have devolved their power as the team is closest to the partners and the issue areas. The Trustees are there if the team want further advice or if something is particularly risky. To reflect the systems approach, the budget takes a longer view and is rolling 3-years instead of annual.

Taking a long term approach: Fay Fuller Foundation, Australia

The Fay Fuller Foundation (FFF) came to a systems change approach through an inherent understanding that if they kept funding in the same way, nothing would truly change in their communities. Instead of ‘putting a bandage on the wound’, they are testing a longer-term approach to be led by communities across South Australia. They decided to focus on mental health within rural towns – drawing on data from a systems mapping exercise and lived experience within communities. They have developed a new programme, which FFF will fund for a minimum of 10 years. Towns in South Australia will identify what mentally healthy means to them, and will be responsible for allocating
the funding where and when they see best, with capability building support from FFF. It is hoped this approach and the longer time frame will help towns to develop learning networks, systems thinking and new capacities whilst empowering more agency within the communities.

**Recognising leverage points: donkey wheel, Australia**

In an effort to maximise their impact, donkey wheel have adopted an ecosystem approach which means ‘building and supporting organisations who in turn deliver support directly to change agents’. They discovered that the greatest leverage point for creating change was directly with changemakers. This means supporting ‘field catalysts’ as opposed to operating themselves or supporting service providers. Field catalysts are built to win, not to last; interested in wide-scale population change; and are determined to get it done, not build consensus. They support field catalysts in whatever way they need to grow their organisation - through granting or impact investing.

**Using solutions finance: The McConnell Foundation, Canada**

Often grantmaking is only a small percentage of a foundation’s endowment. What about the rest of it? The McConnell Foundation supports the development of Solutions Finance in Canada by using its financial assets in a wide range of ways (i.e. grants, loans, loan guarantees, impact investments, responsible investing and shareholder activism) to support social innovation and systems change. For instance, 10% of the Foundation’s endowment is currently geared toward impact investments.

One example of a project the McConnell Foundation supported by using a solutions finance approach is the First Market Housing Precursor Fund that was created by the Aboriginal Savings Corporation of Canada. In the Huron-Wendat Nation in Quebec, this housing loan fund enables its members living on-reserve to become homeowners, thereby decreasing dependence on government subsidies and stimulating economic development in the community.

‘The process you use to get to the future is the future you get.’

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**Common underlying principles that emerged at the retreat in systems approaches include:**

- Localising decision making
- Expanding participation
- Reconfiguring power
Building culture and capacity

How can foundations build a culture of systems change? How does this culture encourage more risk? What kind of capabilities and skills do we need in our organisations to do this work? How do you build up this capacity so communities are best empowered to do this work?
The group identified the following attributes needed to develop this work:

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<tr>
<th>Culture (organisational)</th>
<th>Capacity</th>
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<tr>
<td>• Courage</td>
<td>• Systems theory and tools</td>
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<td>• Trust</td>
<td>• Long-term commitment</td>
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<td>• Optimism</td>
<td>• Emotional intelligence</td>
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<td>• Learning &amp; unlearning</td>
<td>• Skills to partner</td>
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<td>• Reflexive &amp; unreflexive</td>
<td>• Cross-sector</td>
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<tr>
<td>• Curious</td>
<td>• Understands policy implication</td>
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<tr>
<td>• Leadership</td>
<td>• Communication skills</td>
</tr>
<tr>
<td>• Curious</td>
<td>• Imagination about what’s possible</td>
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<tr>
<td>• Collaborative</td>
<td>• Able to deal with the disconnect and ambiguity over long periods of time</td>
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<tr>
<td>• Emotional intelligence</td>
<td>• Able to work with different types of organisations</td>
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<tr>
<td>• Transparency</td>
<td>• Trust</td>
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<td>• Patience</td>
<td>• Patience</td>
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<td>• Responsive</td>
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<td>• Diverse</td>
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<td>• Relational not transactional</td>
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<td>• Ambitious</td>
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<td>• Humble</td>
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<tr>
<td>• Confidence</td>
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<td>• Distributed leadership</td>
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Multiple roles for foundations in systems change

There is not a one size fits all approach to this work. Respecting the diversity in thinking and different approaches is important. There are different roles to play in creating systemic change - what matters is being aware of these different roles and the capacities and skills needed for each role.

‘Systems change can feel daunting and overwhelming. Understanding that there are different roles to play is comforting and can help alleviate some anxiety. Each role is important to the overall development of the ecosystem’
The passionate giver - Makes generous gifts towards a positive social cause that they care about.

The trusting giver - Invests in organisations that understand the broader systems and policy context they operate in. They adopt a rigorous selection process to determine which organisations will deliver the best results.

The system giver - Invests internally in own systems & policy awareness. Committed to ongoing team capability building. Invests externally into high-potential interventions with an awareness of the influence on the broader system.

System capacity builder - Invests internally in own systems understanding and team capability. Builds partnerships and convenes to grow capacity for greater change. Invests externally in developing capability at different layers of system.

System changer - Makes significant investment to build in-house practice capability. Creates change externally through active intervention in systems by own team and by funding external organisations.

Each role supports this ecosystem and is valuable in different ways. Understanding that there isn’t a one size fits all approach can help alleviate some anxiety in engaging in this work.
This work can not be done without addressing...

During our time together in Adelaide, funders highlighted the following that are important to consider when thinking about pursuing a systems change approach. Despite the variety of foundations represented at the retreat, some common themes and concerns were shared between participants:

- **POWER:** ‘We can’t have a discussion about systems change without talking about a discussion on power.’ Foundations should be aware of their power and where their power comes from. Solutions exist in different cultures and communities but the current power imbalances and structures that entrench these often means that we don’t find these solutions. Foundations must be explicit about naming and sharing power if they want to fundamentally shift relationships between grantees and funders.
‘We made the rules. There is no reason why we can’t disrupt things - including who sits on our boards, how we make granting decisions and distribute models of power. Unlearning our ‘bad’ behaviour is tough but we need to help our colleagues, trustees and other philanthropists.’

- **MEASUREMENT**: Foundations should ensure that their impact measurement frameworks match the systems change initiatives. Qualitative data is as important as quantitative data when doing this work - they need to consider what stories they want to tell and who gets to tell those stories.

- **URGENCY**: The risk of inaction or not acting fast enough - we need to inject a sense of urgency into our work – the actions of philanthropy do not yet match the scale of the challenges we’re facing. Are we being honest with ourselves about our ability to do this work? ‘Shifting systems and markets takes time, requires new roles and different resources and to take risks.’

- **WE ARE ALL PART OF A SYSTEM**: Foundations can not see themselves as outside of the system, they are part of it. This means foundations need to work with other organisations in different ways. Particularly when financial resources are relatively limited, effective relationships and collaborations can be key to making change happen.

- **A JOB FOR WHOLE ORGANISATIONS**: Staff and trustees need to be part of this work, so foundations need to convince those with voting rights at a Trustee levels as much as they need to bring their operational staff along. Supporting and doing systems change requires everyone to work in new ways with a different mindset, learning and reflecting together.
5 questions foundations should ask themselves when doing this work:

1. **Who are you accountable to? And why?**
   To yourselves? To your Trustees? Or to your mission and those you’re trying to serve? How does this play out in your governance structures? Are you holding your peers to account?

2. **How do you know you’re on the right path when it’s largely invisible?**
   How can you build a team to be comfortable with uncertainty? How do you change the relationship with your grantees so that you’re both on the path together? Who else in the system can help?

3. **When is systems change not appropriate?**
   Should you consider systems change when you are not part of that system? For example, when a foundation works internationally? Is it a foundation’s role to engage
in systems change? Or are certain systems the responsibility for the government? Does a foundation have the moral authority to do this work?

4. **Are you approaching all of your work with the same values and approach?**
   Should you be? What would it look like to apply the same values to your whole endowment and investment portfolio? How do you balance systems change initiatives with other initiatives?

5. **What is the role of funders in influencing policy to change systems?**
   Given that government’s policies dictate many of the systems we live and operate in, what is the role for foundations in engaging with and influencing policymakers? How can foundations help governments to realise the assets in communities?

‘This space starts with questions.’
Creating big change: a message from practitioners to philanthropy

By Carolyn Curtis, TACSI, Australia

Help us understand what you’re asking for - or give us permission to decide.

Help us by investing in the conditions, capability & infrastructure we need to make change & impact possible. There is no end point to systems change, it is not a project.

Help us by giving us the space to learn and join us in that learning.

Help us by investing in the “boring” or what drives systems behaviour – power, the flow of investment, governance, incentives, business models, policy.

Help us by shifting the conversation from the “risk of doing” to the “risk of not doing”.

Help us by using the words, systems change, innovation, co-design – if you really mean them and have the strategy and theory of change to match.

Help us to understand the role you want to play.

Help us to succeed by sticking with us when the going gets tough, because it will. And if it doesn’t we’re probably not doing our job.

Help us by giving us feedback and being open to feedback in return. We’re scared that the truth will lead to us losing our funding.

Help us move this conversation of innovation and systems change from the fringes towards grappling with national policy & strategy and some of the profound structural challenges that face our society.
Where we go next?

The real power of philanthropy is in its ability to take the long-term view, support those who create social and systemic change, uphold values and question power and privilege, and influence systems.

Taking risks in this work is needed to fully realise this power. This retreat highlighted the different approaches and roles that funders can play in this work. We’re excited about continuing to support and encourage foundations in Australia and across the world to take more risks to deepen their impact through systems change approaches.

The group identified individual and collective actions including:

- Further developing the spectrum of roles - this will enable foundations to have a common language and framework;
- Identifying and building up the capabilities and skills needed for foundations whatever role they play;
- Supporting learning and exchange between foundations within Australia, and between Australia and other countries.

We look forward to working with our local partners to support this work to happen and to make more connections globally.

If you’re interested in any of the above or want to be a part of this, please contact jordan@socialinnovationexchange.org