

The Dilemma of Foundation Leadership

By

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On July 10, 2002 three Pittsburgh foundations –the Heinz Endowments, the Grable Foundation and The Pittsburgh Foundation –indefinitely suspended all funding to the Pittsburgh public schools. Collectively, these three foundations had awarded \$11.7MM to the district over the previous five years. The foundations publicly announced their decision in a joint news conference with both local and national media – an abrupt departure from their usual approach of working quietly behind the scenes. The foundations described their action as the result of a complete loss of confidence in the governance and fiscal discipline of the city’s public schools.

“This was a wrenching decision for both our staff and our trustees,” Executive Director Susan Brownlee of the Grable Foundation told the Pittsburgh Gazette. “The Pittsburgh Public Schools is the largest beneficiary of Grable funding . . . But the system is so dysfunctional that we cannot put money into it.” Bill Trueheart, CEO of The Pittsburgh Foundation, added: “It’s clear the school system is in crisis.” The school board reacted angrily, publicly accusing the foundations of strong arm tactics that would harm children: “I can’t tell them what to do and they shouldn’t tell me what to do. They shouldn’t use money as a threat,” said school board President, Jean Fink.

The resulting controversy, reported on local television and on the front pages of both the Pittsburgh Post-Gazette and the Wall Street Journal, created an immediate sense of urgency among Pittsburgh’s government and community leaders. One day after the foundations’ announcement, Mayor Tom Murphy issued a statement, saying “The action of the foundation community is a wake-up call, one that I hope will force all of us to come together as a community to address the ongoing problems facing the Pittsburgh public schools.”

Within a month, a Mayor’s Commission on Public Education was formed and charged to conduct the first independent and comprehensive analysis of the public school system, including recommendations for change. Its 38 members comprised a broad cross-section of business, civic, religious and educational leaders, including representatives of all three foundations. Bill Trueheart from The Pittsburgh Foundation served as co-chair.

One year later, the Mayor’s Commission released a scathing report. Problems in the city schools were so severe that dramatic changes were needed throughout its operations and governance. Many of the problems were traced to a dysfunctional school board, long paralyzed by internal conflicts. The report received extensive media coverage, and at the next election in early 2004, the president and a majority of school board members were voted out of office. The new school board leadership brought a welcome improvement and began to implement many of the Commission’s recommendations.

It had taken the involvement of many community leaders, government officials, parents and the voters themselves to bring about this dramatic positive change. Yet, the three

*foundations had unquestionably played a critical role in catalyzing action. As the Pittsburgh Post Gazette reported, “It is difficult to parse the exact reasons for this improvement (in the schools) because it has several strands, but the July 2002 decision by The Heinz Endowments, the Grable Foundation and The Pittsburgh Foundation to withdraw their funding did serve to concentrate minds on the seriousness of the board’s dysfunction . . . and provided helpful context for the grass-roots effort that led to the victory of several new board members, breaking the old majority and bringing the hope of better times.”*¹

In February of 2004, twenty months after their initial controversial decision, all three foundations restored their funding to the schools.

The case of the Pittsburgh public schools is an extraordinary example of foundations working in unison to take an active, visible and controversial role in bringing about social change. Rarely do foundations so publicly communicate their dissatisfaction with a grantee, withhold funds, or use tactics that carry such risk of creating ill will. Was this an example, as claimed by the former school board president, of foundations using inappropriate and coercive tactics? Or were these foundations exercising a highly effective form of leadership that served their missions and community well?

This distinction between exercising leadership and misusing authority is a constant source of concern for foundations today. The immense scale of the social problems that many foundations choose to tackle – education, healthcare, the environment – dwarf the financial resources they bring. If foundations are to achieve significant social impact, they must do so by taking leadership and, as the Pittsburgh example demonstrates, they are well positioned to take on that role. Bolstered by their philanthropic wealth, foundations occupy a position of inherent stature and respect. They have access to media and to influential people in the government and community. Insulated from political and market forces, they have the ability to take unpopular positions or identify, research and think through social issues with a freedom unavailable to most other participants in our society.

At the same time, foundations express frequent concern about the imbalance of power between themselves and their grantees. As a result, foundations often try to avoid imposing solutions or conditions that might change the course of their grantees’ work, fearing that they might create too great a dependence or harmful “unintended consequences.” Heated debate persists within the field over the appropriateness of proactive versus responsive grantmaking. The fundamental dilemma of foundation leadership lies in this tension between the desire to achieve substantial impact that is directly attributable to the foundation’s actions, and the reluctance to impose its own agenda on others.

This is, however, a false dilemma built on a conflation of leadership with authoritative power. It assumes foundations that choose to take a pro-active role in solving social problems must figure out the answer for themselves, then impose it on their grantees. This traditional view of leadership has been displaced in recent years by a much more

subtle and dynamic view of social change in which people and institutions that lead are not expected to know the answer and bear the responsibility for problem solving, but rather to create and sustain the conditions through which stakeholders take the necessary responsibility themselves for tackling tough problems and derive answers more adaptive to the politics, culture, and history of their situation. This new approach, known as adaptive leadership, avoids the classic dilemma between proactive and responsive grantmaking, offering foundations a way out of their classic dilemma and a far more powerful model for social change.² Yet, as we shall see, this approach also challenges many traditional foundation practices and assumptions.

Distinguishing Leadership from Authority

Leadership is not the same as authority. Authority, such as that of a corporate CEO or military commander, depends on an established structure of power – the ability to tell people what to do and impose severe consequences for disobedience. Leadership, by contrast, is most usefully viewed as an activity rather than a formal position or personal characteristic, and this activity may or may not accompany authority. [See Sidebar #1 “What is a Leader?”(page 18 below)]

Some people lead from a position of formal authority, such as the President of the United States, but many of those who exercise leadership do not, such as Martin Luther King, Mahatma Gandhi, Margaret Sanger and Mother Theresa. Political candidates have no formal power before they are elected, yet they demonstrate leadership. So too, social entrepreneurs such as J.B. Schramm, who revolutionized college access for low income high school graduates, were able to lead significant social and political change without any formal base of authority. In many cases, people who lead such as these have a base of *formal* authority in a narrower sphere bounded by their own organization or constituency; they also have a wide network of *informal* authority in the community at large, where their words and actions carry influence despite having no enforceable power. Often, however, their leadership extends beyond their spheres of both formal and informal authority, influencing the behavior and thinking of people who may not respect them or even know that they exist.

So too, foundations possess both a narrow authority and the potential to exercise much broader leadership. A foundation’s formal authority is limited to its grantees, because it is only over grantees that a foundation has the power to impose conditions and consequences. After all, a foundation can use its authority to tell grantees what to do if they hope to receive funding. For example, foundations often impose conditions on the application, selection and implementation of a grant, such as issuing an RFP that calls for grantees to undertake specific activities, setting rules for the application process, conditioning the grant on a pre-requisite that grantees raise matching funds, or requiring a formal evaluation of the grant’s outcomes. These are the traditional and frequently used manifestations of foundation authority.

On the other hand, foundations can use their stature, wealth, knowledge and access to exert leadership over a much larger circle of influence that extends far beyond their grantees. They may not have the authority to tell these actors what to do, nor the ability to penalize them for disobedience, but they can influence their thinking and behavior nonetheless. In Pittsburgh, the foundations had no authority over the Mayor, school board, media or voters, yet their leadership set in motion a chain of events that had substantial influence on the actions of them all. This kind of leadership is much more powerful, although less common and often less comfortable for foundations to assume.

Yet such broad influence is especially important for many of the issues that foundations address because, very often, not only does the foundation lack the authority to impose a solution, but there is no single entity anywhere with sufficient authority to solve the problem. Improving a public school system or addressing disparities in health care are large, complex, multidimensional issues, driven by the interactions of many different parties. Even if a foundation had discovered the solution to such an intricate problem, no single grantee would be in a position to implement it. In Pittsburgh, for example, many stakeholders could lay claim to some authority over the schools, yet no one individual or entity controlled the situation completely. The school board had the most direct authority; yet as the subsequent elections proved, they were beholden to the constituency that elected them. The Mayor could bring the authority of his office to bear in mobilizing a task force, but he had no jurisdiction whatsoever over the school board. Discontented Pittsburgh residents and activist organizations could voice public displeasure and organize to change the composition of the school board by voting new members in and old members out, but they could not directly control the school board's actions.

In this case, the Pittsburgh foundations exercised both authority and leadership, but it was their leadership that produced results. Their exercise of authority was limited to withholding funds from the school system. The lost funding, however, was miniscule compared to the budget of the school system and, had the foundations quietly taken this action alone, it would have produced almost no effect. In fact, investigative reporters seeking to substantiate the former school board president's claim that the foundations' actions were harming schoolchildren were unable to find any discernible impact from the loss of funding. It was through publicizing their collective action and criticisms, together with much work behind the scenes and through the Commission, that the foundations exerted leadership, influenced the behavior of the Mayor, dozens of community leaders, and ultimately the many thousands of voters who took action to replace the school board. The foundations had no authority over these actors, but through their leadership the foundations highlighted a problem and created the conditions that led to progress.

Adaptive versus Technical Problems

Complex social problems, like improving the public school system, are fundamentally different from simple technical problems, and the effective exercise of leadership depends on an understanding of this distinction.

Technical problems are well defined, their solutions are known, the implementation path is clear, and the solution can be undertaken by someone with adequate authority. When a foundation tackles a technical problem, it knows exactly who to fund, how much it will cost, and what the predictable outcome will be. Examples of technical problems that foundations might support would be increasing access to higher education by funding scholarships, increasing the capacity for treating patients by building a new hospital, funding malaria vaccines, or increasing the efficiency of a food bank by installing better inventory controls. In each case, the problem is clear, the solution depends on well-established practices and, given adequate funding, a single organization can implement the solution. These are the cases where “all it takes is money.”

Adaptive problems are entirely different. These problems are not so well defined, the answers are not known in advance, and many different stakeholders are involved, each with their own perspectives. Adaptive problems require innovation and learning among the interested parties and, even when a solution is discovered, no single entity has the authority to impose it on the others. The stakeholders themselves must create and implement the solution because the problem itself lies in *their* attitudes, priorities or behavior, and only a change within and between them will produce a solution. Many of the fundamental social problems that foundations seek to address are adaptive. Reforming public education, as in the Pittsburgh example, is an adaptive challenge, but so too is providing affordable health care, eliminating hunger and homelessness, protecting the environment, stimulating economic development, building social capital, or increasing organizational effectiveness throughout the non-profit sector. These problems are highly complex, without any ready-made solutions or any entity that has the top down authority to impose change on all participants. In contrast to technical problems, adaptive problems are the ones where “throwing money at it” rarely, if ever, works.

Figure 1 summarizes key differences between technical and adaptive problems.

Challenges Confronted by Leadership	
<u>Technical Problems</u>	<u>Adaptive Challenges</u>
<ul style="list-style-type: none"> • Problem is well-defined • Answer is known • Implementation is clear • Solution can be imposed by authority • Examples: <ul style="list-style-type: none"> – Funding scholarships – Building hospitals – Developing a Malaria vaccine – Installing inventory controls for a food bank 	<ul style="list-style-type: none"> • Challenge is complex • Answers are not known • Implementation requires learning • Stakeholders must create and implement the solution themselves • Examples: <ul style="list-style-type: none"> – Reforming public education – Providing affordable health care – Achieving 80% vaccination rates within a Malaria-infected region – Increasing organizational effectiveness

Figure 1

While technical problems can be solved by imposing a solution, adaptive challenges require a period of adaptive work that can only be done by the stakeholders involved. Adaptive problems grow out of conflicting values among different stakeholders or internal contradictions between the values people stand for and the reality they face. Adaptive work, therefore, requires a change in values, beliefs, or behavior on the part of those involved in the problem, and such changes cannot be externally imposed. [See Sidebar #2: Properties of Adaptive Challenges (page 19 below)] The exposure and orchestration of conflicts and internal contradictions within individuals and constituencies is at the core of adaptive work, providing the leverage that motivates people to learn new ways of thinking. The central task of leadership in managing adaptive work, therefore, is mobilizing people to clarify what matters most, in what balance, and with which tradeoffs. People and institutions who lead must orchestrate conflict among and within interested parties so that each can adapt to the other and to the situation in a manner that brings about social progress.

It may seem as though large problems are adaptive and narrow problems are technical, but that criterion is not reliable. Even a very narrow problem, such as preventing teenage pregnancies among 9th grade girls in a single school is likely to be an adaptive challenge. Conversely a very large problem, such as developing a vaccine to prevent AIDS, is more of a technical problem in which the ongoing funding of scientific research is likely to yield a successful outcome, sooner or later.

Neither is the distinction between technical and adaptive challenges absolute. Many problems come bundled together, and one must tease apart the technical from the adaptive components because each requires a different approach. Adaptive problems

often have technical aspects where straightforward improvements can be made that will help matters, even if they do not solve the entire problem, and technical problems sometimes touch on adaptive challenges too. The technical solution of distributing free condoms might help reduce teenage pregnancies, though it is unlikely to solve the problem entirely. And, even after an AIDS vaccine is discovered, the challenge of administering it to entire populations that lack any robust health care infrastructure is much more adaptive.

Despite the widespread ambition of foundations to tackle adaptive problems, the tools they most often use are inherently technical. Most grant requests – and the theories of change on which they depend -- are premised on the assumption that funding a particular activity will solve a given problem. Like any technical challenge, this means that the problem must be clear, the answer must be known in advance, and the grantee is in a position to implement the solution. Traditional approaches to evaluation are also best suited to technical solutions that can be specified at the outset, implemented within the time frame set by the grant cycle, and produce predictable results that can be reported back to the foundation.

The pressure to fit the round peg of adaptive work into the square hole of technically oriented foundation funding often causes distortions and over-promising in the grant process. When a foundation applies a technical approach to an issue that requires adaptive learning, the result can be resistance and confusion by grantees, a failed program or even a failed organization. One author of this article has directly experienced the need to satisfy a major foundation's funding requirements by framing an adaptive approach to leadership training for school administrators as if it were a technical intervention, in which a known solution would be imposed and produce timely, predictable results. The tension between the reality of an adaptive, open-ended self-learning intervention and the foundation's reporting and evaluation requirements based on a more technical model caused friction that diminished the capacity to design appropriate next steps for the project, building further on what had been learned.

The tendency to fight adaptive problems with technical tools may be the single greatest barrier to foundation effectiveness, and the reason that many multi-million dollar foundation initiatives fail to create any lasting social change. Tools that depend on a known answer and the authority to impose a solution can never be effective in solving adaptive problems that require multiple stakeholders to clarify their values, choose among painful tradeoffs, develop previously unknown solutions, and voluntarily implement them.

This suggests that foundations face a choice: They can continue to rely on the technically oriented approach to grantmaking that they are used to, and settle for addressing profoundly important but far simpler technical problems, or they can depart from their traditional roles and learn to use adaptive leadership approaches to become more effective participants in meeting complex social challenges.

Different foundations will choose different answers, and either approach can be effective. Even adaptive problems have technical aspects that foundations can address through traditional grantmaking methods. One foundation in Atlanta, for example, was concerned with the adaptive problem of a malfunctioning juvenile court system. After considerable study, it became clear that the outdated and incompatible software systems used by the judges, social workers, and police caused juvenile defendants to miss hearings, get lost in the system, and led judges to make decisions on incomplete or inaccurate information. A \$200,000 grant for new software vastly improved the operation of the juvenile courts, solving a major technical hurdle within the much more complex adaptive problem of juvenile crime.

Foundations that choose to tackle adaptive problems head-on, however, will need to consider a fundamentally different approach to their work, reconceptualizing their role from funding solutions to fostering adaptive work by others, and confronting a far more controversial public profile.

Practicing Adaptive Leadership

Many of today's complex social problems require adaptive work in order to produce positive change. Adaptive leadership does not presume that one should provide the answer or have a predetermined vision of the results. Instead, it involves managing the conditions that enable people involved with complex issues to figure out and implement solutions that ultimately will require changes in their own ways of doing business. This is not an abdication of leadership responsibility. Rather, it requires that leadership play a clear and forceful role in keeping interested parties productively focused on the problem at hand. It is also unabashedly results oriented. Adaptive leadership achieves positive change through provoking debate, encouraging rethinking, and applying processes of social learning. They mobilize the parties to work *towards* a solution, rather than directly imposing one. Their goal is to create an environment that enables a shift in mindset, while providing incentives for interested parties to invent and internalize solutions to the problem.

If there were such a thing as an adaptive grant request, it might read as follows: "I've identified a serious problem, I don't know how to solve it -- and even if I did, I wouldn't have the authority to implement the solution -- but I would like funding to bring together many different people to grapple with their conflicting values and try whatever they can think of over a lengthy period of time until a solution emerges that they can all agree on." Strange as it may sound, a recently completed capacity building initiative by three foundations -- Peninsula Community Foundation, The Charles and Helen Schwab Foundation and The Sobrato Family Foundation -- provides an excellent example of exactly this sort of funding.

Like many foundations over the past decade, these three foundations had become increasingly aware of the importance of improving organizational effectiveness and building the capacity of nonprofit organizations. They began with a decidedly technical

aspect of the problem, offering funding to nonprofits to meet simple administrative needs such as buying computers, phone systems and copiers. The program was popular, and many grant requests flowed in.

As they gained experience, these foundations realized that there were much larger issues of organizational effectiveness at stake, but that many nonprofits were unable to identify the more intangible kinds of assistance they most needed. This posed a problem because a purely responsive grantmaking model cannot work if the grantees don't know what to ask for. Yet it seemed like a misuse of authority – and a recipe for failure -- for the foundations to dictate the organizational development needs of their grantees. In fact, the more critical aspects of organizational capacity building demand adaptive work, and it led these foundations to restructure their grantmaking within a framework of adaptive leadership.

Their three-year long initiative was called the Organizational Capacity Grants Initiative (OCGI), and it involved joint grants from the three foundations to sixteen local human service agencies. Each participating agency was free to identify its own organizational priorities and determine how the grant funds would be spent, although the foundations required each organization to go through a planning and prioritizing process to make this decision. Rather than use their authority to determine the answer, the foundations determined the process and its overall direction. “Trust the agencies” became the foundations’ mantra.

Yet, while the foundations very purposely turned the work of determining organizational priorities over to the grantees, they were far from hands off participants in this process. In fact they devoted significant energy to structuring grantee engagement in the capacity building process to ensure that learning was not superficial and would lead to significantly improved capacity.

A critical vehicle in the adaptive learning process was the use of mandatory quarterly “learning cohort” meetings for the entire three-year period of the initiative, accompanied by annual retreats to provide further opportunity for reflection. The executive directors of all 16 grantees and the program officers from the three foundations were required to attend all meetings. At these meetings, all participants were expected to share the challenges and successes they encountered while trying to build capacity within their respective organizations.

The foundations believed that many of the benefits of OCGI would occur as a result of the conversations and sharing that would take place at those meetings, and they willingly invested the time and funding to establish honest dialogue that would facilitate learning. Encouraging and patiently setting the right context for “active reflection” was a core principle of the foundations’ approach. As the evaluation report concluded, “It took time to cultivate trust but by the end of the second year, both agencies and foundations reported that there was full disclosure in their discussions, permitting those involved to learn from one another’s mistakes and accomplishments.”

Over the course of the three years, OCGI resulted in positive – and sometimes dramatic – improvements within participating agencies in terms of improved operations and mission accomplishment. Even more than the capacity improvements in areas such as technology, fundraising and management, many agencies reported a shift in their thinking that would lead to additional long term benefits. True learning took place as participating agencies reported that they were more likely, as a result of the initiative, to examine “how they do their work, not just “what they do,” in order to improve efficiency and effectiveness. As one agency reported, “The organization has made a major shift in how it defines success.”³

Equally important was the learning that accrued to the foundations as a result of their participation in this experience. One foundation shifted all of its subsequent grantmaking from program to capacity building. Another adopted the learning cohort model as a basic part of all future initiatives. And each foundation developed a much deeper understanding of the capacity building constraints that their grantees face.

OCGI is an example of foundations using their power over grantees to exercise adaptive leadership. All of the parties involved were grantees over whom the foundation could exercise a degree of authority by, for example, requiring attendance and setting the agenda at the learning cohort meetings -- despite many initial objections from grantees who “just wanted the money.” These foundations were highly pro-active and directly responsible for causing fundamental improvements in the operations of their grantees in ways that could not have been achieved through traditional responsive grantmaking -- yet the foundations did not misuse their authority in any way by imposing an externally driven agenda on their grantees. They exercised strong and effective leadership, while avoiding the foundation’s classic dilemma.

The Resources of Adaptive Leadership

Those who lead can use a number of resources to mobilize adaptive work, including: directing attention, creating a holding environment, framing the issues, and orchestrating multi-party conflict.⁴ The degree of authority that foundations have varies from situation to situation, influencing the way in which these resources can be utilized, but in every case, they offer cogent tools for facilitating adaptive work.

Directing Attention

Attention is the currency of leadership. Getting people to pay attention to tough issues rather than diversions is at the heart of adaptive leadership. This is an especially potent tactic for foundations, as they are in an unusually strong position to direct attention to specific issues through communications campaigns or merely by announcing their grantmaking intentions. In the case of Pittsburgh, the foundations called attention to the issue through the ‘stick’ of withholding funds, while in OCGI they did so through the ‘carrot’ of offering unrestricted grant funds. Either way, money talks and that gives foundations – particularly when acting collectively – a powerful voice indeed.

Foundations can use their authority to direct and hold the attention of their grantees, as was the case with OCGI, but they can also be highly effective at directing attention well beyond the scope of their authority. In Pittsburgh, the foundations captured the attention of an entire city, but other foundations have directed attention on an even larger scale. Joshua Reichert, Pew Charitable Trust's Director of Environmental Programs has been a master at focusing national attention on targeted issues, even though the foundation has no formal authority over the constituencies it seeks to influence.

For example, Reichert's group played a significant role in the passing of President Clinton's "roadless rule," which protected 58.5 million acres of national forests from any infringement. It was Reichert's group that launched the Heritage Forests Campaign, eventually including 600 organizations, and as reported in the New York Times, it "was the force behind the effort that generated more than a million public comments for the rule."⁵ These comments were critical backing for the Forest Service during the rulemaking.

This sort of leadership in directing attention is one that many who actually have authority would envy. In fact, in the face of Pew's campaign, some authorities felt much *less* powerful than Reichert's group. "Pew's environmental group is 'the 800-pound gorilla' on environmental issues," said Doug Crandall, staff director of the Republican-controlled House subcommittee on forests. And, at a congressional hearing during the height of the national forests debate Helen Chenoweth, then a Republican member of Congress representing a district in Idaho, declared that communities in her state were "being crushed by an inaccessible and faceless movement wielding great power and influence," battling to prevent the development of the national forests. She was describing Reichert's group at Pew.⁶

Creating a holding environment

As Figure 2 below indicates, technical problems tend to resolve themselves quickly with the application of expertise. Adaptive problems, on the other hand, play out very differently over time. A step forward may be followed by a step back. And the level of distress felt by participants in the situation will fluctuate over time. Containing this level of disequilibrium in a holding environment so that it remains productive is a critical task of adaptive leadership.

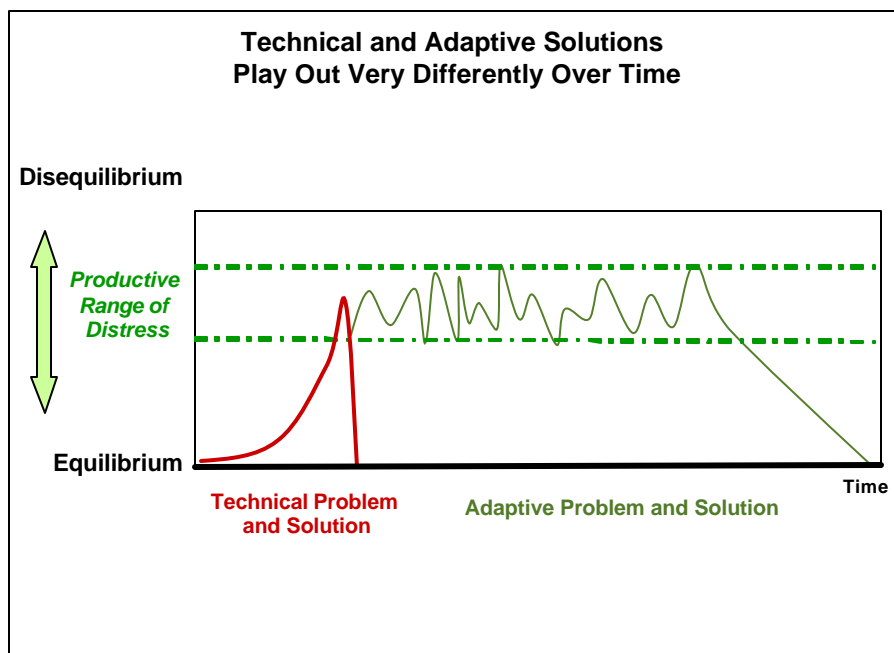


Figure 2

A holding environment facilitates progress by regulating and containing productive distress so that it stimulates but does not overwhelm the people engaged in adaptive work. The task of leadership is not to eliminate stress altogether -- which would remove the impetus for adaptive work -- but to maintain a level of constructive tension that motivates change. Think of the holding environment as a pressure cooker. The cook regulates the pressure by turning the heat up or down, while the relief valve lets off steam to keep the pressure within a safe limit. If the pressure goes beyond the carrying capacity of the vessel, the pressure cooker can blow up. On the other hand, with no heat nothing cooks.

Depending on the issue, a foundation's ability to influence the holding environment may be strong, weak or somewhere in between. In the case of OCGI, the foundations were able to create a strong holding environment primarily because they were working with grantees over whom they held a degree of authority. The foundations buffered the grantees from excessive stress through a deliberately protracted three-year time frame, regular meetings that gradually built trust, and the use of a technical assistance consultant who worked as an intermediary between the foundations and the participating agencies. On the other hand, the foundations gently maintained pressure by requiring grantees to report their progress to each other and the foundations at each mandatory learning cohort meeting.

In the case of the Pittsburgh public schools, the foundations' control over the holding environment was much less absolute because the number of parties required to bring about real change extended well beyond their single grantee. Yet the Pittsburgh foundations used their funding, political influence and the media to help create and

sustain a consistent level of productive distress that mobilized the city. The foundations did not merely announce that they were terminating their funding, and walk away. First, they announced only that they were “suspending funding,” keeping the promise of releasing their funds in the future as an incentive for change. Second, they remained actively involved by helping set up and lead the Mayor’s Commission, which served as a year-long forum for public debate. The Commission, involving a cross section of community leaders charged with a time-limited task, provided a useful structure to keep the distress level high while also maintaining it productively. Third, the foundations devoted constant attention to the media in order to maintain heightened public attention on the issue. In this sense, the foundations helped to sustain the pressure on the schools and the community to do some of its adaptive work.

Framing the issues

Adaptive problems are often complex multi-faceted issues that can seem overwhelming to the stakeholders involved. Framing the issues so that people can comprehend the opportunity and challenge that they face is one crucial role of adaptive leadership. Equally important, people and institutions who lead must be able to identify when an issue is ripe for attention and corrective action. The ripeness of an issue is determined primarily by identifying which issues are currently generating a widespread feeling of urgency. The central question is: Has the issue fastened in people’s minds? People are more likely to pay attention to arguments and perspectives about which they already feel an immediate sense of urgency.

Identifying when issues are ripe for positive change, and framing those issues correctly, are two of the most important tasks that foundations can play in leading and catalyzing social change. Had the Pittsburgh foundations made their announcement of suspended funding at a point when community members were not ready to address school deficiencies, they likely would have been roundly vilified by more than just the current school board and broader community action would never have developed. As it turned out, government and community leaders were chomping at the bit to wade into the situation at the schools and the foundations knew that the level of urgency in the community was sufficient to turn the tide in their favor. The foundations also knew that the dysfunctional school board was a key roadblock to change, and they framed the issue accordingly. This provided the community with a clear and concrete step that they could take – and the timing enabled the Mayor’s Commission to prepare its report before the next school board election. The foundations’ announcement provided the right impetus – at the right time -- for others in the community to come forward and begin their adaptive work.

Pew’s Reichert has even found that effectively framing the issue can result in historical antagonists finding common ground in the adaptive learning process. In pursuit of marine protection, Pew was able to unite traditionally liberal conservationists with conservative Republican recreational anglers to fight for prohibition of commercial fishing in certain sensitive marine areas. Pew’s ability to frame and direct both groups’

attention to the upside in creating a healthy marine biosystem for everyone enabled the foundation to leverage both group's voices in its marine protection efforts.⁷

Orchestrating Multi-party conflict

By its nature, adaptive work does not often fall within the purview of established organizational and social structures. Pieces of the puzzle – information about the problem – lie scattered in the hands of stakeholders across divisions, interest groups, organizations, and communities. Not only is this information scattered, but the solution requires adjustments in the attitudes and behaviors of many people across different political, industrial and socio-economic boundaries. If stakeholders are excluded from defining and solving the problem, the result may be an incomplete solution or a solution to the wrong problem.

Adaptive leadership, therefore, often plays a critical role in orchestrating conflict among the various stakeholders in a way that will lead to positive change. Yet this orchestration is often a messy process. People and institutions who lead must be especially aware of ensuring that all voices – not just the most powerful or most relentless – have an opportunity to participate in the dialogue. At the same time, leadership must orchestrate the conflict they have unleashed so that it gets resolved without getting out of hand.

For foundations to lead in this manner they must become accustomed to a process that will involve setbacks, uncomfortable public pressures and a timeframe that tries both the foundations' and the stakeholders' patience. What's required is leadership that views controversy, distress and conflict as allies rather than obstacles in bringing about constructive change.

The idea of foundations bringing stakeholders together is not new: foundations frequently convene groups to discuss specific issues -- yet these convenings rarely result in adaptive work. This may be due, in part, to the use of convening as a one-time, open-ended event unsupported by any other resources of adaptive leadership, such as framing an issue that is ripe for action, or sustaining a holding environment of productive distress for a long enough time period to create change. Orchestrating multi-party conflict, as we mean it here, is a protracted, controlled and purposeful activity that often results in strong conflicts, uncomfortable confrontations and painful choices.

Another difficulty with traditional foundation convenings is the failure to include most, if not all, of the critical stakeholders necessary to a solution. For example, foundations often limit their convenings to grantees or other nonprofit agencies working on an issue. But one cannot do adaptive work on an environmental issue without including industry and government representatives, on an educational issue without including parents, teachers, union officials, and school administrators, or on a community issue without including community representatives. Inviting such a diverse attendance is sure to create a much less comfortable and polite discourse, yet it is this discomfort that is at the very root of adaptive change.

Foundations also have the added challenge of orchestrating conflict without letting their wealth and influence overpower the discourse. There is much evidence that grantees will not speak with full candor in front of potential funders. Other stakeholders may be swayed by a foundation's inherent stature and defer to its wishes, whether spoken or merely implied.

Both the OCGI foundations and the Pittsburgh foundations clearly recognized the need to address their objectives through a participative decision making process. Both sets of foundations recognized the adaptive nature of the work and, while certainly framing the issues, directing attention, and helping formulate solutions, they also effectively orchestrated a process that gave the work of determining the specific required actions back to the people and entities most affected by the issues. Notably, however, the two sets of foundations used their authority to orchestrate very different time frames, stakeholder participants and decision-making processes.

Given that their grantees were not facing immediate crises in their organizations, the OCGI foundations deliberately designed a three-year process at the outset. This enabled momentum towards change to build without creating any sense of crisis. Most of the multi-party conflict that took place with OCGI grantees over this period of time was within their organizations as various constituencies – staff, board, donors and beneficiaries – wrestled with the question of how to best allocate limited funds to improve the agency's ability to achieve its mission. In addition, all 16 agencies met together with the foundations every quarter, and it was essential that, despite their vastly different budgets, histories and cultures, none of the foundations or agencies inappropriately dominated these gatherings. Finally, because the only issue to be resolved was the use of grant dollars, the foundations were in a strong position to specify exactly what decision-making process the agencies had to go through in order for the foundation to release its funds.

For the Pittsburgh foundations, it was essential to compress the conflict into a more immediate timeframe. The severity of the foundations' action -- suspending their funding and focusing public attention on the issue -- helped influence other government and community leaders to mobilize quickly and engage in direct conflict with those segments of the public that supported a "frozen" school board. Although their degree of control was far less than in OCGI, the foundations were able to help select, with the Mayor, the participants, objectives, and decision-making procedures of the task force. Through their own participation and use of the media, they were also able to ensure that the necessary voices were heard and that the process did not spiral out of control. Playing these roles, however, subjected the foundations to a degree of public controversy that went well beyond any normal foundation convening

Exercising Adaptive Foundation Leadership

Foundations are well-positioned to exercise adaptive leadership and thereby make an important contribution to the resolution of large complex social problems. Yet, as noted

earlier, many of the traditional tools of foundation philanthropy are inherently technical, and poorly suited to this newer model of social change. In fact, employing the resources of adaptive leadership represents a significant and potentially uncomfortable departure from the norms of foundation behavior today.

Foundations have long tended to adopt a low profile and shy away from public controversy. When exercising adaptive leadership with authority over their own grantees, as with OCGI, foundations can continue to act quietly. However, when they are working to influence those beyond their control, such as other funders, legislators, or voters, focusing attention requires a much higher profile and, often, media support. In such cases, the glare of publicity associated with directing attention to an urgent, controversial and complicated social issue requires the courage to withstand a very different public profile. Pew, for example, is not only one of the most important participants in framing the national debate in its environmental areas of interest, it is also one of the most controversial. As Reichert himself says, “If you ride the ridges, you get shot at more often than if you stay in the valleys.”⁸ For many foundations, conscious of a responsibility for the careful stewardship of their donor’s good name or even the threat of pending Congressional legislation, creating such visible public controversy may be too strong a medicine to swallow.

Maintaining a holding environment in which adaptive work can be conducted is a similar departure in practice. First, it requires a time commitment that is substantially longer than the typical foundation grant cycle – often requiring years of sustained effort before any conclusive results are known. Throughout this time, the foundation must maintain an active role in overseeing the adaptive work, a demand that would tax the limited staffing of many foundations today. Second, a holding environment requires a sustained level of distress, and foundations are naturally inclined to reduce distress whenever they can. Often, well-meaning foundations will bail out a financially troubled nonprofit or try to ameliorate an immediate crisis. Yet such short-term assistance may release the pressure that was needed for adaptive work, paradoxically enabling the grantee to avoid the hard learning required to become a more sustainable entity. In Pittsburgh, for example, the foundations found it very hard to stay firm in withholding their funding from such a needy school system. In short, maintaining a holding environment may require a degree of tough love that departs from traditional foundation behavior.

Adaptive leadership also calls into question traditional approaches to strategy and evaluation. Employing a strategy is often mistakenly taken to mean that a foundation must design and rigidly follow a set agenda from which it is not allowed to deviate. And evaluation is often used to test whether the foundation’s initial hypothesis about the consequences of an intervention turns out to be valid, and whether the end result can be attributed to the foundation’s funding. Each of these approaches suggests a mechanistic model, in which the foundation begins with a hypothetical answer, executes it through a pre-determined plan, and then looks back to see if it worked. Interpreted in this way, these are tools well suited to solving technical problems but ill-suited to the practice of adaptive leadership.

Strategy, however, is a much more flexible tool. It requires neither that the answer be known at the outset nor adherence to an inflexible agenda. Instead, it depends on clarity of objectives, thorough research, and a careful alignment between the foundation's goals, resources and actions. Adaptive progress is an improvisation that requires experimentation. One has to be able to deviate from the plan as learning takes place. Neither the Pittsburgh nor the OCGI foundations started with an answer, but each certainly had a strategy. They were clear about their ultimate objectives, knowledgeable about the issues, and highly effective in their management of the adaptive process.

So too, there is a need for evaluation to become a more dynamic forward looking tool in measuring progress *towards* goals if it is to support foundations' adaptive work. The foundations that are the most disciplined in leading adaptive work find that goal setting and evaluation are essential parts of their approach to creating change. Pew Charitable Trusts is zealous about setting goals and evaluating progress. Says Josh Reichert, "We are extremely results oriented and hold ourselves and our partners accountable for performance."⁹ Pew even goes so far as to tie program officer compensation to achieving specific, measurable results. The OCGI initiative, steeped as it was in the adaptive learning process, was also very explicit in identifying goals for the adaptive work and evaluating progress against those goals. Interestingly, the OCGI foundations began their initiative with three very specific goals, one of which they revised half way through their initiative based on learning from their evaluation. Rather than using their evaluative process to grade their performance against initial intentions, the OCGI foundations very much viewed evaluation as an aid in enabling learning and change.

Adaptive leadership also requires focus and, in this respect, represents a departure from the traditional foundation pattern of funding hundreds of grants in multiple fields with minimal staffing and frequently changing objectives. One cannot manage many holding environments or direct attention to many different issues at the same time. Done right, the process of goal setting for foundations should be about framing the issue in a way that provides grantees and the broader community of participants with both the motivation for change and the direction of that change. In most instances, the issue will not be framed correctly unless the foundation has done its homework in researching the issue and has enough subject area expertise to communicate what they have learned in a compelling way. For Pew Charitable Trusts, upfront data analysis and research are cornerstones to establishing goals and framing the issue correctly. Pew intentionally hires program officers who are well trained in handling and analyzing large amounts of data to solve a problem. As Reichert says, "What is far more important than the amount of money the foundation invests is the degree of focus and level of skill and experience the foundation brings to bear on the issue."¹⁰

Perhaps this is the biggest shift in thinking of all: If foundations are to become institutions of adaptive leadership, then it is through their clarity of objectives, depth of expertise, political skill, media management and high-profile active intervention, rather than their grant dollars, that they will create the greatest value in society. They must jettison the artificial dichotomy between pro-active and responsive grantmaking, firmly leading social change without imposing the answers.

SIDEBAR #1

What is a leader?

Scan the literature on leadership over the past five years and numerous perspectives emerge about what it means to be a “leader.” Even within the narrow field of philanthropy, “leadership” has many meanings. Foundation staff often speak of the need to identify “visionary and charismatic leaders” among their potential grantees who possess the ability to build organizations or create social change. “Leadership development” is a common area of support for foundations that underwrite grantee capacity building efforts. In applying the concept of leadership to themselves, foundations routinely refer to “leading foundations” to describe those that are most well-known, most innovative, or largest in asset size. And the phrase “foundation leaders” typically refers to the board, executive staff or donors who have the authority to direct the work of their foundation.

This article uses “leadership” in a very different way. The notion that leaders are “born not made” is entrenched in our culture and the way we think, but it is both inaccurate and unproductive. What’s required is not a visionary, but someone who can mobilize the people with the problem to clarify conflicting values or to reconcile values that are out of sync with their reality. We therefore define leadership as an *activity* – independent of any set of personality traits, position held or power wielded. Simply put, leadership is a set of activities that mobilize people, organizations or communities to do “adaptive work.”

Under our definition, there is no such thing as a “leading foundation” or “foundation leaders.” There are only foundations – and individuals within them -- that exercise effective leadership. Neither an individual’s level of authority, nor the scale of a foundation’s resources, influence or reputation ensures that leadership will, in fact, be exercised. Instead, leadership must be earned through action.

The resources and privileged position in society that foundations possess, however, offers them – and those who guide their activities – a unique the opportunity. Not only can they help fund solutions to simple technical problems, but they can also exercise the more challenging tools of adaptive leadership to improve the plight of those whose voices are not normally heard. Realizing this potential, however, will require abandoning many preconceived assumptions in favor of a clear, focused strategy and a much more nuanced understanding of the ways in which foundations can bring about social change.

SIDEBAR #2

Properties of Adaptive Challenges

Any societal challenge can be defined as a gap between aspirations and reality. For technical challenges that gap can be closed through the application of existing knowledge. For adaptive challenges, however, the solution lies outside the existing repertoire. As a result, adaptive work demands improvisation, experimentation, innovation and learning – all of which require a much longer time frame than technical work.

Moreover, with an adaptive challenge the people with the problem are the problem, and they are also the solution -- the gap between their aspirations and reality will only be closed if they change their ways of thinking and behaving. This requires the difficult learning to distinguish what should be changed from what should be conserved. Adaptive work, therefore, requires that people grapple with their values and learn to distinguish between what is precious and what is expendable. Inevitably, they will have to accept the loss of some former aspirations, behaviors, or ways of thinking – letting go of past competencies, and refashioning loyalties and traditions. These losses can generate quite a lot of fear, resistance, and avoidance. Keeping the people with the problem focused on their adaptive work, therefore, is one of the core challenges of leadership.