

Stanford SOCIAL INNOVATION REVIEW

Up For Debate

Strategic Philanthropy for a Complex World

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With Responses From

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Stanford Social Innovation Review
Summer 2014

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UP FOR DEBATE

 To solve today's complex social problems, foundations need to shift from the prevailing model of strategic philanthropy that attempts to predict outcomes to an emergent model that better fits the realities of creating social change in a complex world.

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Strategic Philanthropy for a Complex World

By JOHN KANIA, MARK KRAMER, & PATTY RUSSELL

Illustration by MIKE McQUADE

The practice of strategic philanthropy has advanced substantially over the past two decades, yet even its most committed theorists and practitioners—we among them—have often been disappointed by the results. We have helped hundreds of funders and nonprofit organizations commit to clear goals, data-driven strategies, heightened accountability, and rigorous evaluations—all core principles of strategic philanthropy that increase the odds of success. And yet, as we have watched funders and their grantees struggle and often fail to reach their ambitious goals, we have repeatedly felt a nagging suspicion that the conventional tools of strategic philanthropy just don't fit the realities of social change in a complex world. We have now come to the conclusion that if funders are to make greater progress in meeting society's urgent challenges, they must move beyond today's rigid and predictive model of strategy to a more nuanced model of emergent strategy that better aligns with the complex nature of social progress.

The more foundations embrace strategic philanthropy, the clearer its limitations become. As practiced today, strategic philanthropy assumes that outcomes arise from a linear chain of causation that can be predicted, attributed, and repeated, even though we know that social change is often unpredictable, multifaceted, and idiosyncratic. It locks funders into a rigid multi-year agenda, although the probability and desirability of achieving any given outcome waxes and wanes over time. Rigorous evaluations attempt to isolate the impact of solitary interventions without effective models of dissemination. And the forced simplicity of logic models often misleads funders to overlook the complex dynamics and interpersonal relationships among numerous nonprofit, for-profit, and government actors that determine real world events.

Despite these shortcomings, strategic philanthropy can be effective for certain types of problems. Complexity theorist David Snowden described the differences among problems that are simple,

complicated, or complex. A simple problem can be highly ambitious: Building a hospital is not easy, but it follows a well-understood formula. Given the necessary resources and expertise, one can reliably predict the cost, timeline, and end result with high accuracy. Complicated problems, like developing a vaccine, may take many attempts before a successful formula is developed, but each successive attempt builds on prior knowledge and experience, and once the formula is discovered, it can be repeated with equally predictable results.¹

Complex problems, such as improving the health of a particular group of people, are entirely different. These problems are dynamic, nonlinear, and counter-intuitive. They are the result of the interplay between multiple independent factors that influence each other in ever-changing ways. The health of a population is influenced by the availability and quality of health care, but also by economic conditions, social norms, daily diet, inherited traits, familial relationships, weather patterns, and psychological well-being. The interplay of these factors creates a kaleidoscope of causes and effects that can shift the momentum of a system in one direction or another in unpredictable ways. Each intervention is unique, successful programs cannot reliably be repeated with the same results, and learning from past efforts does not necessarily contribute to better future results.

Strategic philanthropy works well for simple and complicated problems, toward which the vast majority of philanthropic funding is directed. Many funders support programs like after-school tutoring and institutions like hospitals, which help alleviate the consequences of complex societal problems in education and health without directly addressing the problems themselves. But strategic philanthropy also emphasizes the need to eradicate the root causes of society's complex problems without recognizing that a different and more emergent approach is required.

One philanthropic organization that successfully used an emergent approach to tackle a complex social problem is the Rockefeller



Foundation. Beginning in 2008, the foundation launched a five-year, \$42 million initiative to stimulate greater investment capital that could “improve the lives of poor and vulnerable citizens around the world” through impact investing. At the time, the field of impact investing was small and disorganized. Over the next four years, despite the 2008-2009 worldwide financial meltdown, \$6 billion of new investment capital went into impact investments. Three-quarters of this growth could be tied directly to Rockefeller’s efforts, effectively leveraging the foundation’s dollars one hundred to one. The foundation also had significant policy influence on the governments of the United States, United Kingdom, Canada, and Australia. For the first time, international development agencies began to use impact investment as a promising new tool. All told, the Rockefeller Foundation played what one evaluation report called a “decisive role” in activating a global movement that continues to grow even as the foundation shifts its support to newer forms of innovative finance.²

The Rockefeller Foundation accomplished all of this without an initial formal theory of change or logic model that predicted specific outcomes. Instead, the foundation followed an emergent approach, co-creating its initial strategy with dozens of other organizations, strengthening the global ecosystem that determined the outcomes they sought, and continuously modifying its strategy as the staff sensed opportunities to amplify positive developments along the way.

Emergent strategy does not attempt to oversimplify complex problems, nor does it lead to a “magic bullet” solution that can be scaled up. Instead, it gives rise to constantly evolving solutions that are uniquely suited to the time, place, and participants involved. It helps funders to be more relevant and effective by adapting their activities to ever-changing circumstances and engaging others as partners without the illusion of control. It is messy and challenging, but far more realistic about the role foundations can play in social progress. Before exploring in more detail the emergent approach to strategy, it’s important to first understand why the predictive model so often fails to make progress against complex social problems.

DISTINGUISHING THE SIMPLE FROM THE COMPLEX

In 1999, Michael Porter and Mark Kramer (one of this article’s co-authors) published the article “Philanthropy’s New Agenda: Creating



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Value” in *Harvard Business Review*, asserting that foundations have the opportunity and the responsibility to create social value beyond the mere purchasing power of their grants. We suggested that they could do so by selecting the best grantees, signaling other funders, improving grantee performance, and advancing knowledge and practice in their fields. We urged foundations to become more strategic by focusing on a clear and limited set of goals, conducting thorough research, framing a hypothesis for how best to approach the problem, and developing an evidence-based process for learning from results. Those recommendations echoed and complemented the core elements of strategic philanthropy espoused by other thought leaders who have before and since contributed to the growing body of knowledge about philanthropic strategy.

In the fifteen years since that article was published, however, our experience working with clients has taught us that although this guidance is helpful in addressing simple and even complicated problems, it is insufficient when tackling complex problems. Our three subsequent articles in *Stanford Social Innovation Review*—“Leading Boldly,” “Catalytic Philanthropy,” and “Collective Impact”—articulating the need for adaptive leadership, a problem solving approach, and highly structured cross-sector collaborations—were all early attempts to confront the challenges of developing strategy under conditions of complexity.³ Other thinkers, notably organizational learning consultant Patricia Patrizi, have also explored the limitations of strategic philanthropy under conditions of complexity and offered alternative approaches that emphasize adaptive practices.⁴

Foundations, of course, spend much of their time and financial resources tackling simple or complicated problems, many of which are embedded within larger complex problems. In fact, some of philanthropy’s landmark achievements have come from solving complicated problems through a progression of scientific advances, such as the Aaron Diamond Foundation’s efforts to develop the first successful treatment for AIDS, or the Ford and Rockefeller foundations’ agricultural research that produced the “green revolution,” estimated to have fed more than one billion people. Interventions such as these are triumphs of strategic philanthropy, saving a great many lives and making a substantial difference in the severity or scope of a complex problem such as disease or hunger, even though they fall short of solving the root causes of the complex problem itself.

Many foundations can continue to do a great deal of good by using the traditional tools of strategic philanthropy to address simple and complicated problems. Unfortunately, foundations have rarely been clear on when the line has been crossed from the simple and complicated into the entirely different world of complexity. Funding under-resourced schools is not easy, but it is still a *simple* challenge, and more resources are likely—although not usually sufficient—to help students succeed. Improving the performance of teachers is a *complicated challenge*: A teacher’s performance is affected by many variables, and we have no well-established metrics of teacher quality. Given sufficient research into best practices, however, the essential variables and metrics can be identified, understood, and improved.

But when one moves from the goal of training teachers to the goal of improving student achievement across an entire educational system, one has moved squarely from the complicated to the *complex*. Student achievement is influenced by myriad interdependent factors such as school leadership, economic and family circumstances,

peer dynamics, role models, and even nutrition. Single-point interventions may address one or more of these simple or complicated problems, but foundations will inevitably encounter complexity when they attempt to scale up their successes. Scaling up an intervention by spreading the adoption of new practices across a system is an inherently complex challenge. Each school operates in a unique context determined by its resources, history, leadership, social dynamics, and countless other factors that prevent solutions in one school from being repeated reliably in others. This is one reason that funders are frequently able to launch successful interventions, but much more rarely able to scale them up.

The shift from improving teacher quality to improving educational outcomes, or from a single success to systemic change, may seem merely a more inspiring way of framing the foundation's ambitions. But when foundations take seriously the achievement of their goals and seek to measure their progress, they find that the difference between these two goals is profound, and the conventional approaches to philanthropic strategy and evaluation no longer produce the hoped-for results. The core elements of strategic philanthropy are still useful: Having clear goals, thorough research, a hypothesis for how to approach the problem, and a way of learning from results all increase the odds of success. But the idea that a foundation can intervene in a complex system on the basis of a simplified logic model and reliably expect to achieve its intended outcome creates a false hope that misdirects strategy development and execution.

As difficult as it is to make progress against complex social problems, foundations are far better suited to do so than are other institutions because they operate on a long time horizon, insulated from financial and political pressures. Yet for many foundation leaders and board members, dealing with complexity is alarming. In our experience, most foundations that address complex problems go to great lengths to avoid attempting to understand or account for this complexity in their work. Their behavior is entirely understandable. The responsibility of stewarding philanthropic funds leads to a natural desire for defined time horizons and predictable outcomes that can be evaluated and attributed directly to the funder's intervention. Foundations that limit their ambitions to simple or complicated aspects of complex challenges will be able to operate within these constraints.

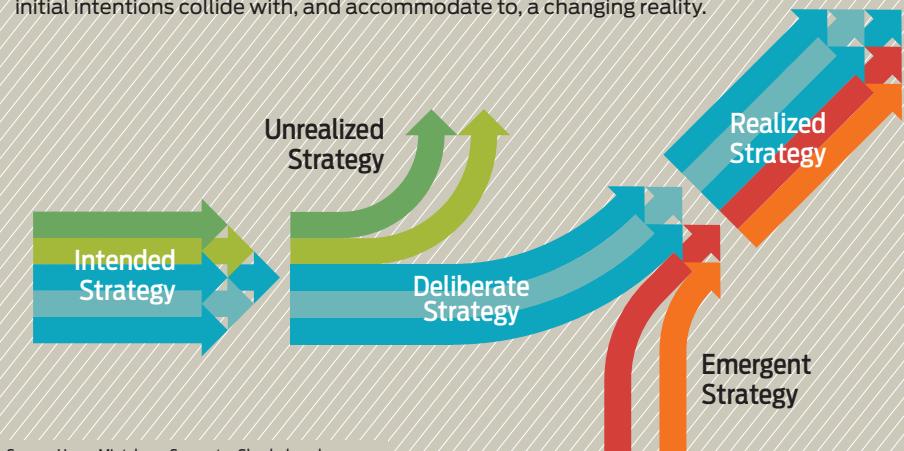
Foundations that seek to address complex problems directly, however, need a new set of tools. They also need leadership with a tolerance for uncertainty and the determination to pursue their objective for long periods of time, through many apparent advances and setbacks.

FROM PREDICTIVE TO EMERGENT STRATEGY

To address the uncertainty of complex problems, the field of philanthropy needs to shift from a predictive model of philanthropic strategy to an emergent model that better fits the complexity of social change. McGill University management professor Henry Mintzberg was one of the first to capture the dynamic of an intended strategy bumping up against complex realities, triggering a further evolution

How Emergent Strategy Works

Emergent strategy accepts that a realized strategy emerges over time as the initial intentions collide with, and accommodate to, a changing reality.



Source: Henry Mintzberg, Sumantra Ghoshal, and James B. Quinn, *The Strategy Process*, Prentice Hall, 1998

in strategy. Mintzberg called this “emergent strategy.”⁵ (See “How Emergent Strategy Works” above.)

Emergent strategy accepts that a realized strategy emerges over time as the initial intentions collide with, and accommodate to, a changing reality. The term “emergent” implies that an organization is learning what works in practice. Organizations that are intentional in examining how their strategy plays out in the context of surrounding events will learn what parts of their intended strategy went unrealized, what parts are deliberate, and what parts were emergent—the result of both their actions and the actions of others—that lead to a newly realized strategy. And this newly realized strategy will continue to evolve, incorporating aspects of both deliberate and emergent strategy.

Emergence is where rigor and flexibility meet, as it inherently challenges strategic organizations to be *both* rigorous and flexible. Emergent strategy still requires that a clear strategic intent guide the funder’s actions, but it acknowledges that specific outcomes cannot be predicted. Emergent strategic philanthropists will continually strive to react to changing circumstances, so flexible and textured frameworks such as system maps must replace the linear and one-dimensional logic model as the primary means of clarifying strategy. Emergent strategy also requires a constant process of “sensing” the environment to ensure that resources are applied where opportunities are greatest. Sensing also enables a more intuitive understanding of how various parts of the system are changing in relationship to one another in response to unanticipated interventions and exogenous events.

Emergent strategy accommodates three core principles of complexity theory that must inform the next evolution of strategic philanthropy: co-creating strategy, working positive and negative attractors, and improving system fitness.

All actors, including funders, are participants in the system they seek to change. The behavior of one organization affects all others; therefore strategies must be co-created and must co-evolve among multiple organizations rather than be developed separately.

Although complex systems do not follow predictable patterns, sources of energy or convergence within the system, known as attractors, can be observed and influenced. Funders can amplify positive

attractors that move the system toward their goals or dampen negative attractors that move the system away from the desired goals.

In complex systems, one-time solutions often have limited value because they cannot be counted on to spread or produce repeatable results. Instead, increasing the fitness of the system as a whole—improving the knowledge, effectiveness, and resilience of all participants, not only grantees, but other organizations including the foundation itself—is a much more powerful way to support sustainable change. Increasing fitness enables solutions to arise from anywhere in the system to meet the circumstances of the moment.

Such a model of emergent strategy and the principles of complexity science may sound hopelessly beyond the reach of strategic philanthropy today. Yet we are already seeing a number of foundations shift from predictive to emergent strategy as they seek to address complex problems. In the sections that follow, we'll examine how three foundations are exploring the frontiers of emergent strategy through co-creation, working the attractors, and improving system fitness.

CO-CREATING STRATEGY

Complex problems and their solutions are influenced not just by grantees, but by the behavior of many different nonprofit, for-profit, and governmental actors as each entity pursues its own strategy. No funder has the resources to compel all other participants to follow its preferred strategy. This is why strategy must be co-created and co-evolve among multiple organizations, rather than be shaped independently.

The Rockefeller Foundation's effort to develop the field of impact investing provides a good example of how a foundation co-creates a strategy. From the beginning the Rockefeller Foundation worked closely with dozens of field leaders outside the foundation. Antony Bugg-Levine, the program officer who led the effort, began by convening the field's leaders at the Rockefeller Foundation's Bellagio conference center in 2007, where the term "impact investing" was first coined and where the recommendation was made to undertake the initiative. A second convening in 2008 collectively generated the strategic framework that guided the foundation and its allies in building the field.⁶ Not only did this co-creation of strategy enable the foundation to develop a more robust strategy for itself, it influenced the strategies of the other organizations as well, showing them many opportunities to benefit from and support each other's efforts.

The strategy continued to co-evolve for the life of the initiative. Thirty different organizations served as core allies of the foundation, creating a densely networked web of interlocking and overlapping relationships through their boards, committees, and memberships. These core allies, and an additional 70 organizations that also championed the effort, included both grantees and non-grantees from all sectors: for-profit and nonprofit investment funds; nonprofit organizations and associations; research institutions, universities, and consulting firms; other private funders; financial intermediaries and institutions; international development organizations; government agencies; and even the US Federal Reserve.

The Rockefeller Foundation's program staff spent much more time working with this network of organizations than it did directly making grants. They also engaged fully as participants within the system by promoting impact investing through conference presentations, private meetings, and media interviews. In addition, the

foundation recognized the need to create a legacy organization—the Global Impact Investing Network—to continue the work of informing, mobilizing, and coordinating the field as the foundation's own role receded. Bugg-Levine has continued to play a leading role, moving from the foundation to run the Nonprofit Finance Fund and co-authoring a book on impact investing.

The Rockefeller Foundation also gained unexpected benefits from fully embracing its role as a participant in the broader coalition by forging connections with major development agencies, government agencies, and other foundations around the world to which it can now turn for support for its other initiatives. The foundation was, without doubt, the moving force that caused the field to blossom, and yet it did so as just one participant among many interdependent organizations in co-creating a shared strategy and reaching common goals.

WORKING THE ATTRACTORS

Complex systems are not predictable, but they do exhibit patterns of momentum. By paying close attention we can identify when energy within the system is moving in a specific direction toward what, in system dynamics, is called an attractor. In social systems attractors can be people, ideas, resources, or events that lead the system to move toward or away from the funder's goal. These attractors cannot necessarily be predicted or replicated, but funders and other change agents who seek to influence a complex system can sense the emergence of these attractors and take action to amplify or dampen their effects in order to increase the likelihood that the system will shift toward their desired outcome.

Funders who have engaged in policy advocacy understand this concept well. One cannot reliably predict whether a given intervention will produce the desired policy change, but one can sense ever-changing sources of positive or negative energy in the political environment that create opportunities for timely leverage. This concept of sensing and leveraging opportunities, without any certainty about the outcome, is at the core of emergent strategy.

The Rockefeller Foundation's shift to emergent strategy follows a similar course from predictable interventions to sensing and amplifying momentum within the system. When Judith Rodin became president of the Rockefeller Foundation, she realized that the approach to strategic philanthropy that had served the foundation well for its first century no longer fit modern realities. In her words, "Our value-add as a foundation is very different from 75 years ago. Then we were filling a void, and we had to put our own labs in the field, do the basic science, the delivery, and the whole value chain in order to construct a solution. Today, the foundation's resources are most useful in rewiring connections between existing players within activities that are already under way ... taking advantage of changes that are already in motion."

The process of capitalizing on "changes that are already in motion" is one way of describing the amplification of positive attractors. For the Rockefeller Foundation, spotting these attractors required the foundation to develop a variety of sensing mechanisms closer to the ground. Says Rodin: "We created a search unit with a 'searchlight' function that funds developing world institutions and entities with more nuanced and textured perspectives from which we can learn." It was sensing mechanisms like these that first showed the growing momentum and potential of impact investing, and throughout

Building Relational Trust

An often overlooked element in improving system fitness is attending to the human interactions and relational dynamics at the heart of a complex system's ability to evolve and adapt. The predictive model of strategic philanthropy frequently assumes that rational solutions offering better outcomes will automatically be embraced across the system. The health of relationships between organizations and individuals in the system is often the missing link in explaining why programs and interventions ultimately succeed or fail. This often holds true for simple and complicated problems, but it is a far more influential factor under conditions of complexity.

Anthony Bryk, now president of the Carnegie Foundation for the Advancement of

Teaching, spent ten years working at the Consortium on Chicago Schools Research examining the changing quality of relational dynamics in 400 Chicago elementary schools. This work led Bryk and his colleagues to create a metric called "relational trust" to categorize the social exchanges among students, teachers, parents, and school principals.

They discovered that the myriad social exchanges that make up daily life in a school community fuse into distinct social patterns that can generate significant organization-wide outcomes. Collective decision-making with broad teacher buy-in, for example, occurs more readily in schools with strong relational trust. In contrast, the absence of trust can provoke sustained controversy around even such simple problems as the arrangements for

a kindergarten graduation ceremony. Strong relational trust also makes it more likely that reform initiatives will be diffused across the school. Ultimately, Bryk and colleagues found that the level of relational trust was a more powerful discriminator between improving and non-improving schools than other dimensions such as curriculum design or new teaching practices. Schools with improving levels of relational trust recorded increases in student learning of 8 percent in reading and 20 percent in math over a five-year period.

Relational dynamics are one of the primary reasons that interventions in complex social systems are so unpredictable. They explain why building system fitness can accelerate the spread of evidence-informed solutions to meet specific situational needs.

the life of the initiative continued to guide the foundation on how to amplify positive shifts and dampen negative ones.

Although the Rockefeller impact investing initiative did not have a formal theory of change, the consensus of the Bellagio convening produced agreement on four desired outcomes that served as a flexible guiding framework throughout the five-year effort: catalyzing collective action platforms, developing industry infrastructure, supporting the scaling of intermediaries, and in later years, contributing to research, advocacy, and policy change. The flexibility of these objectives gave direction to the foundation's efforts but left room to adapt to changing circumstances as the situation required.

Although these intended outcomes remained in place throughout, Rockefeller's resources shifted dramatically over the four-year life of the initiative. In the first two years, the foundation focused 70 percent of its funding on scaling up the leading intermediaries, such as Acumen. As organizations previously on the periphery of the initiative began to be more aware of impact investing, the program team put greater emphasis on research that could attract new players, collective action platforms that could provide new ways for other organizations to become involved, and advocacy efforts that had more chances of succeeding. In fact, the foundation shifted 75 percent of its funding to those areas in the final three years. Similarly, the initial focus on institutional investors as a logical way to achieve scale gave way to a focus on high-net-worth families that seemed more open to experimenting with impact investments.

By 2010, the program staff realized that public policy change was an essential component of the strategy that had been initially overlooked. Both the Obama administration in the United States and the Blair and Cameron governments in the United Kingdom were open to policy change because of the financial crisis and were ideologically aligned with the impact investing approach. Recognizing this as a new attractor that could be amplified, the program staff shifted resources and formed an Impact Investing Policy Committee, which ultimately led to more than \$2 billion of government funding. This

opportunity could not have been anticipated during the very different political and economic situation that existed when the initiative began, but the foundation achieved substantial impact by sensing opportunities to amplify or dampen attractors within the system as it adapted its approach over time.

IMPROVING SYSTEM FITNESS

Emergent strategy focuses on strengthening the systems and relationships that can generate solutions, rather than on constructing the solutions themselves. The ability of a system to adapt and ultimately reach its goals depends on the overall "fitness" of the entire system.⁷ As circumstances change over time, the system must continually evolve. Its success depends not on any single configuration, but on its fitness to adapt to the changing circumstances and the end goal. Many things make up a system's overall fitness, including shared visions of success within and across sectors that enable mutually reinforcing innovation, positive relationships between organizations and individuals that enable effective practices to spread, regular communication, and the resilience of players within the system in adapting their practice to changing conditions. System fitness also includes the degree of alignment and relational trust among participants, which can accelerate the adoption of new ideas. (See "Building Relational Trust" above.)

A good example of what improving system fitness looks like in practice is illustrated by the way that former New York City Mayor Michael Bloomberg used his office and his foundation to address the problem of climate change. Beyond funding specific interventions in New York City, he focused on developing system fitness among his peers, the mayors of major cities around the world.

Bloomberg came up with this approach in December 2009 while attending a conference of mayors. While the leaders of the world's greatest nations were deadlocked in the Copenhagen 15 climate change conference, a group of mayors from two dozen of the world's largest cities met in a tent nearby. Originally formed by the mayor of London and seven other cities as the C-8, the group grew to be

How to Move to an Emergent Model

Most foundations that shift from a predictive to an emergent model will need to complement this shift with changes in how they create strategy, structure their organization, evaluate impact, and develop leadership and culture. Below, we suggest some likely evolutions in each of these areas.

Strategy-setting frameworks and processes | Today's strategy-setting activities often fail to incorporate the dynamic nature of complex systems, miss the interdependence of players affecting an issue, and underappreciate the human dynamics that accelerate or impede change. No one decision-making framework can capture all the dynamics of a complex system. Nevertheless, greater use of systems maps, stakeholder network analysis, cultural frames, and story-telling frames such as scenario planning—combined with an orientation to hypothesis testing and prototyping (via methodologies such as human centered design)—can provide more useful frameworks for strategic decision-making that addresses complex problems.

Organizational structures and systems | The command and control governance

structures that exist in many foundations today cannot be used to implement an emergent strategy. In their place one needs to create more flexible accountability structures that allow staff to take the initiative as conditions demand. This means that boards must continue to set goals and budgets but step back from expecting staff to follow a detailed multi-year plan with predictable outcomes. It also means that evaluation methods must take a developmental approach that focuses on learning and sensing opportunities, not just on evaluating the outcomes attributable to specific interventions. Foundations must also invest in relentless “sensing” activity—developing the ability, structures, and systems to scan for how various forces intersect and interact with one another. Active sensing takes time apart from grantmaking. To make sure that it happens, foundations

can create structured time for staff to reflect on not just what is going on with their grantees, but also what is going on with the broader set of conditions affecting strategy—probing for actions or events that are causing ripples in unexpected ways due to the interdependent nature of the many players involved.

Leadership and culture | Successful leadership in situations of great complexity prizes inquiry over certainty. Effective leaders of emergent strategy must be capable of creating the context and culture in which real learning, reflection, and evolution can occur. Leaders must build a culture that continually invites staff, grantees, and other system stakeholders into collaborative problem solving. Lines of inquiry that help unpack the complexity include: What are other funders doing that affect the ecosystem in which we work and how do they affect our own strategy? How are organizations that are not our grantees reacting to our interventions? What unanticipated interventions and exogenous events are changing the conditions in which we work?

renamed the C-40, and it has since grown to include the mayors of 63 major cities. The mayors, too, were concerned about climate change—after all, 80 percent of global greenhouse gas emissions come from cities. But what most impressed the mayors that winter day was the fact that, despite snow and darkness, one out of three Danes commuted to work on a bicycle in dedicated bike lanes. Seeing this phenomenon, many mayors looked for ways to get more of their constituents out of the car and onto a bike. The mayor of London decided to install bike lanes when he went home. Bloomberg decided to install them as well, and Los Angeles added 330 miles of bike lanes the following year. Rio de Janeiro and São Paulo realized that bikes could not only reduce pollution, but enable people who were too poor to afford public transit to commute to jobs, so they added lanes, too. Within three years, 34 cities around the world added tens of thousands of miles of bike lanes. But that was just the beginning.

Bloomberg saw the power of the C-40 and decided to increase the system's fitness. Bloomberg Philanthropies provided C-40 with \$6 million in annual funding, tripling the organization's budget and increasing its staff to 43. The C-40 team began to work closely with the mayors and especially their staffs to coordinate their efforts, pooling their knowledge of what initiatives had worked, showing each other how they might use their mayoral powers to reduce carbon emissions by controlling traffic, public transit, building codes, utilities, parks, and the like. Today, all 63 cities have climate action plans, and collectively they have undertaken 4,734 discrete climate actions that are on track to reduce annual CO₂ emissions by 1.3 billion tons by 2030, a stunning global impact for a \$9 million annual budget. Bloomberg's leverage, in this case, comes from improving

system fitness, rather than from funding, evaluating, and replicating individual solutions. Improving the interactions and relationships within a system by sharing knowledge, comparing results, and stimulating competitive instincts is what continues to drive a profusion of locally tailored climate change solutions to emerge.

A COMPASS INSTEAD OF A MAP

Whereas emergent strategy is a relatively new practice at the Rockefeller Foundation and Bloomberg Philanthropies, the J.W. McConnell Family Foundation has been practicing emergent strategy in many of its program areas for almost two decades. The McConnell Foundation is one of Canada's largest and oldest private family foundations, with program areas that include health, education, community development, sustainable food systems, immigrant integration, and the arts.

The foundation eschews the development of thick strategic plans that attempt to map out every detail. John Cawley, director of programs and operations at McConnell, is quick to point out that this doesn't mean staff and board aren't guided by strong strategic direction. “The difference,” says Cawley, “is between having a compass and a map. A map assumes that you're going over terrain that somebody has been over before.” A compass, on the other hand, keeps one oriented toward the ultimate goal regardless of the unanticipated obstacles and detours that may appear during the journey. Each step taken is decided in the moment, on the basis of past experience and the unique combination of circumstances then present. Although the path is unknown, the goal remains clear. As Zia Khan, vice president for initiatives and strategy at the Rockefeller Foundation, explains, “Clear goals allow for flexible strategy.”

Such an intentional yet flexible approach can be found in the McConnell Foundation's Sports for Development initiative. Research found that sports are a powerful force in building social capital and community resilience among children and teens, especially in disadvantaged communities where strong schools and after school programs are scarce. McConnell established an initiative within the foundation called Sports for Development based on this research and immediately reached out to others to co-create their strategy. "The first thing is not to assume that we alone are going to have a plan," says Cawley. "It's going to be co-created by the people we're bringing around the table. It is much more nerve-racking but ultimately more interesting when you co-create strategy."

McConnell's work focused not only on supporting specific organizations, but also on investments in system fitness that built the connective tissue between players in the field and accelerated collective knowledge sharing and problem solving. Many unanticipated opportunities emerged throughout the course of the initiative, such as challenging limitations in federal charity laws, creating a "sport for change" Web platform, providing organizations and networks with training, and supporting the development of new business models.

To build more effective connections between community and national sports leaders, McConnell supported the Sport Matters Group—a network of more than 30 sports organizations that collaborate with municipalities, academics, councils, and other local entities to promote community sports activities. The network also collaborates in jointly conducting research on the value of a physically healthy lifestyle and advocates sport as a means to encourage community development nationally. As a result, sports organizations across Canada that are devoted to youth development are now part of a stronger system that enables them to learn together about what works and speak with a united voice. The foundation has seen an extraordinary return on its investment. When the economic downturn of 2008 led to the federal government's stimulus plan, the Sport Matters Group was already organized to advocate for sports infrastructure in deprived communities. It estimates that some \$3 billion has been invested in the construction or renovation of sport facilities as a result.

BRAVE NEW WORLD

Albert Einstein once said, "Everything should be made as simple as possible, but not simpler." In strategic philanthropy's earnest desire to become more disciplined and rigorous, there has been a tendency to demand and impose simple solutions to complex problems. As a result, the board and staff decision-making structures, organizational design, evaluation methods, and leadership style of foundations that embrace strategic philanthropy today are, to a great degree, anchored in perpetuating the development and implementation of simple solutions. What's required of both staff and board in complex situations is the ability to take nuanced steps toward solutions, guided by a dynamic compass without relying on a static map. For emergent strategy to take hold, changes must take place in the organization of how strategic philanthropy happens. (See "How to Move to an Emergent Model" on page 32.)

As we rethink strategic philanthropy to address complex problems, we can draw useful insights from science and commerce, the same fields that influenced earlier stages of strategic philanthropy, although in different ways. If strategic philanthropy first borrowed

from physics to establish clear cause and effect, we now must look to biology to understand interdependent systems and the process of evolution in which success depends on continuous adaptation. From the field of commerce we borrowed the management principles of business to incorporate more discipline into our work. Now we must look to behavioral economics, which exposes the less rational psychological factors that govern so much of human behavior.

As strategic philanthropy shifts from predictive to emergent strategy, we see tremendous potential for staff and boards to see more clearly their relevance and connectedness to the people they wish to serve. And yet we also acknowledge the daunting demands placed on individuals within organizations that choose to pursue the emergent strategy model. This work requires heavy doses of humility combined with doggedness, reflection combined with constant action, and openness to change combined with dedication to intent. All this must be undertaken with the same commitment to rigorous analysis and honest assessment that strategic philanthropy and evaluation first brought to the field. The need for these qualities may require new types of people to carry out the work of strategic philanthropy. And perhaps it will also draw out to a greater degree these qualities among people who work in strategic philanthropy today.

There is much that is uncertain in this evolution but also much that is exciting and energizing. If you work in strategic philanthropy and plan to adopt emergent strategy as your approach, we expect that you may be challenged as never before. We also expect that you will come into contact with a great many others experiencing the same challenges. Don't retreat from the field, but take heart. Find inspiration in Miranda, the indefatigable heroine of William Shakespeare's *Tempest* (an apt term for the state of the world today). Uncertain, but taken with the promise of a new way of living, she exclaimed with wonder and amazement, "O brave new world, That has such people in't!" ■

NOTE: On June 16, 2014, this article was changed from the original print version of the article by adding a reference to Patricia Patrizi's writings in the text and in the Notes.

NOTES

- 1 In "Leading Boldly," *Stanford Social Innovation Review*, Winter 2004, we distinguished between technical and adaptive problems, a parallel distinction developed by Ron Heifetz in which technical problems are analogous to David Snowden's simple and complicated problems, and adaptive problems are equivalent to complex problems.
- 2 The description of the Rockefeller Foundation's impact investing initiative and the assessment of its impact is primarily taken from the independent evaluation by E.T. Jackson and Associates Ltd., *Unlocking Capital, Activating a Movement: Final Report of the Strategic Assessment of The Rockefeller Foundation's Impact Investing Initiative*, March 2012.
- 3 See also Fay Hanleybrown, John Kania, and Mark Kramer, "Channeling Change," www.ssireview.org, Jan. 26, 2012; and John Kania, "Embracing Emergence," www.ssireview.org, Jan. 13, 2013; which further explore the relationship between collective impact and complexity.
- 4 Of particular relevance: Patricia Patrizi, Elizabeth Heid Thompson, Julia Coffman, and Tanya Beer, Evaluation Roundtable, "Eyes Wide Open: Learning as Strategy Under Conditions of Complexity and Uncertainty," *The Foundation Review* 2013 Vol 5:3, pp 50–65. Also note: Patricia Patrizi, Elizabeth Heid Thompson, "Beyond the Veneer of Strategic Philanthropy," *The Foundation Review* 2011 Vol 2:3, pp 52–60. While our findings are consonant with Patrizi and her colleagues, we learned of this work subsequent to developing our article. We recommend anyone interested in this field refer to this body of work.
- 5 Henry Mintzberg, Sumantra Ghoshal, and James B. Quinn, *The Strategy Process*, Upper Saddle River, N.J.: Prentice Hall, 1998, paperback, revised.
- 6 E.T. Jackson and Associates Ltd., *Unlocking Capital, Activating a Movement*, March 2012.
- 7 Brenda Zimmerman, *Learning about Complexity Science*, North American Primary Care Research Group, Resources, 2009.

UP FOR DEBATE: RESPONSES



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Christine W. Letts

John Kania, Mark Kramer, and Patty Russell's article suggesting that foundations adopt an emergent strategy model is a welcome addition to growing concerns about the effectiveness of what we have called strategic philanthropy. As recently as February, Fay Twersky wrote an excellent blog entry ("Strategic Philanthropy and the Risk of Certainty," SSIR, Feb. 5, 2014) cautioning foundations about the "certainty" that infects foundation processes with rigidity and rules. Peter Frumkin wrote about the "primitive and tired" processes of foundations back in 2006 in his book *Strategic Giving: The Art and Science of Philanthropy*. As the authors point out, it is confounding how much foundations constrain themselves when they have so much independence and flexibility. There are good past examples of foundation work that does match the challenge that the authors raise. We are all aware of the success of the conservative foundations in accomplishing great public opinion change by funding multiple channels of research, media, and political forces. The Gill Foundation, which Twersky cites as an example of strategic philanthropy, has actually employed a series of very strategic, but comprehensive, tactics, investing in people, organizations, politics, and networks. Tim Gill always said that he hated strategic plans.

Although I welcome the big message, I am concerned about some of the details in the article. I have strong reservations about letting foundations think that the traditional strategic philanthropy approach "works" for what the authors call simple and complicated projects. They cite building a hospital as an example of a simple project. James D. Jameson recently wrote a case about his experience launching a

school for nurses in Uganda. The project looked straightforward at the beginning—something for which money (and at the beginning, not a lot) was the answer. The experience turned out to be anything but simple.

Implementing a known program that works somewhere else ought to be simple, but we all know that isn't true. After ACCION spent years perfecting their microlending model, they

**Foundations
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found themselves at a loss to explain why their efforts in Brooklyn, NY, were failing.

It is not just the nature of the project that confounds foundation success. Accomplishing substantial change in the social sphere requires practices that are consistent with the complex environment in which projects are embedded. The authors point to the need to pay attention to other actors in a system, but I think that there are more mundane practices that need to be put in place as well.

Foundations have to be prepared to be patient and sustain their efforts for much longer than the usual cycles of grantmaking. Adaptation takes time because of the necessity to plan, do, check, then act, evaluate, and start over. They need to invest more in any effort in order to relieve staff from the tyranny of getting the money out every year, so staff can spend more time with grantees than grant seekers. Foundation staff need to be accountable for real performance in the field rather than compliance with a plan they established. They need to be given flexible funding to respond with agility to changes in the world rather than rely on grantmaking timelines of the board. Many foundations simply need to have more staff in order to be learning and adjusting along with partners and grantees. The board needs to get as big a kick from learning as from launching initiatives.

This article will create good conversations, and I know that some philanthropists and foundation leaders will use it to become curious and creative as they think about how to structure their work. I applaud the authors for challenging their own previous beliefs and advice. Perhaps the most important beacon that we all should be seeking is the impact that we all talk about so much. If at first we don't achieve impact, try, try again. Despite the fact that others have suggested these ideas in the past, it is still worthwhile to continue to raise them. As André Gide wrote in *Le Traité du Narcisse*, "Everything has been said before, but since nobody listens we have to keep going back and beginning all over again." ■



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Darren Walker

As John Kania, Mark Kramer, and Patty Russell's provocative article affirms, philanthropies should, and do, deploy a multiplicity of methods in both our work and our assessment of its impact. This rich variety of approaches—and the robust dialogue and debate that go along with them—powerfully represents the diversity that makes our sector strong.

In the spirit of this dialogue, I will be blunt: philanthropy is at an inflection point. During the last decade, our sector has become mired in a false choice. We have been trapped in a binary discourse that categorizes grantmakers as either strategic or undisciplined, either

focused or haphazard, either rigorous or sloppy. Too many of us have bought into a polemic that fails to account for the ways in which social change transpires. Worse still, by pressing our grantees to see the process of social change in this same inauthentic light, we inadvertently undermine their efforts when we should be empowering them.

The heart of our sector's challenge is that "strategic philanthropy" too often minimizes or ignores complexity because it is difficult to understand, predict, and factor into a formula. Better, doctrine tells us, just to limit and contain it. We look for silver bullets and simple solutions because we have convinced ourselves that if it cannot be measured, it does not matter. And in turn, we miss potential breakthroughs.

My perspective is informed by my experience as a grantmaker and—importantly—as a grantee at Harlem's Abyssinian Development Corporation. During those days, I—and many of my colleagues—sometimes felt imprisoned by logic frameworks, theories of change, and elegant PowerPoint decks that sought to oversimplify how our neighborhood revitalization programs would affect our community. To us, social change could not be diagrammed with boxes and arrows, even though the foundation initiatives that funded our work demanded we explain it within a neatly organized "strategic framework."

I believe that philanthropy is at its best when we promote and protect a marketplace of ideas. Given free, full, and transparent conversation, the best idea ought to prevail. Why should it be any different in our own approaches to our own work? After 15 years of experimentation and experience, we know that social change does not follow an algorithm. It is messy. It comes in fits and starts, through feats and defeats. It unfolds in different patterns, at different paces, in different places. And because change in complex systems is unpredictable—no matter how well-intentioned and well-reasoned the model behind it—the time has come for us to set aside our adherence to a prescriptive theology that constrains how philanthropy approaches solving complex challenges.

Where do we go from here? First, we should open our eyes and minds to the entire spectrum of alternatives—approaches that anticipate and embrace complexity without neglecting rigor and outcomes. We absolutely must focus on outcomes—on economic equality, environmental stewardship, and social justice.

These crucial challenges are the reason for our very existence. At the same time, we should support our grantees' pursuit of these outcomes without being doctrinaire and directive about their precise technique.

Furthermore, philanthropy needs sharper tools and more inclusive frameworks that allow us, as philanthropists, to account for the considerable complexity of real-world problem solving. To date, our culture has stigmatized program work that relies more on grantees' perspectives than on grant-makers'. We should be celebrating it. Finally, we in philanthropy need to reorient the way we see ourselves. We frequently assume that foundations are central protagonists in

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the story of social change, when, really, we are the supporting cast.

We each must play our own role. Our institutions can seed innovations. We can help grantees identify when and how to pivot. We can spread new ideas and best practices. We

can harvest and harness learning from many grantees to improve our practice. But we are not—and we should not position ourselves—at the center of the process. It is our partners and grantees who implement and execute. This fundamental recognition must inform what we do and how we do it. After all, our most important obligation is to stand with courageous and creative visionaries on the front lines of social change, not to demand that they fall in line behind us. ■



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Kenneth Prewitt

winced as I read John Kania, Mark Kramer, and Patty Russell's article, winced because it had to be written at all, and because it replaced jargon with more jargon. In fact, they sensibly recommend a strong dose of common sense and good judgment—common sense about how a complex world works and good judgment in fashioning philanthropy alert to those complexities.

Philanthropy is activated by market failure or by government failure. If the market produced the private goods and services society needs, philanthropy would not have much to add. If government provided public goods efficiently and effectively, philanthropy would have even less to do. But we don't live in a world that has banished market failure and government failure, so philanthropy has much to do. In dealing with the complexities of market or government failure, simple solutions—build a hospital, say—will be insufficient. Instead philanthropy will be swimming in conditions in which multiple intertwined forces are in play and where the unpredicted occurs as often as the predicted does. These are not conditions that invite the latest in performance metrics.

I illustrate with a common claim by foundations, though one, thankfully, not repeated in the Kania, Kramer, and Russell essay. Of all the silly things that foundations assert, perhaps the silliest is "we are risk takers." Quite the opposite. Effective foundations eliminate risk. Nearly a century ago the Spellman Rockefeller Memorial realized that the country needed greater social science capacity. It went down one road (research grants) only to discover that something critical was missing (doctoral training). But adding that program element just turned up other gaps (European colleagues or interdisciplinary opportunities), and it invested accordingly. When institutional infrastructure was lacking, it created the Social Science Research Council; where policy applicability was called for, yet other institutions—Brookings and the

Strategic philanthropy too often minimizes or ignores complexity because it is difficult to understand, predict, and factor into a formula.

National Bureau of Economic Research—were added. It was an early example of how common sense philanthropy took risk out of the equation by supplying missing elements not initially envisioned. Of course Spellman was not the only player. Converting social science into productive advice to the government required an active National Research Council in Washington, D.C., and it became part of the landscape. The Carnegie Corp created TIAA-CREF, which allowed for faculty mobility (retirement benefits traveled with them)—indispensable for establishing strong research clusters that in turn built what we now recognize as the great research universities.

It's OK to call this "emergent philanthropy" and present it as something new, but in fact foundation history is littered with successful examples of removing risk from the equation by refashioning grant strategies when unanticipated connections—constructive as well as obstructive—come into view.

Foundation history is littered with successful examples of removing risk by refashioning grant strategies when unanticipated connections occur.

Foundation officers cannot be smart enough to anticipate everything, and they need not be embarrassed about that. They should be embarrassed if fixed targets and pre-determined performance metrics get in the way of commonsense adjustments. The authors praise *intuitive understanding*. I winced not in disagreement but because the authors and editors must believe that the obvious nevertheless need be said—that something so basic as intuitive understanding has to be paraded.

WHICH IS IT, THE BLUE-PLATE SPECIAL OR PLATE TECTONICS?

Maybe it is time to revisit the root cause metaphor, as a way to see "strategic philanthropy" from a different angle. Imagine: There is a devastating earthquake in San Francisco, killing many and leaving thousands hungry and cold. It is obvious that the root cause of the suffering is lack of nourishment and shelter, so the blue-plate special philanthropic response rushes in food and tents. But what if San Francisco had failed to learn from its own history and hadn't stockpiled disaster supplies. Now the root cause shifts to poor preparation by city officials; improved disaster planning is the philanthropic task. But then, was not the real problem that buildings collapsed? Here the root cause becomes poor engineering and regulatory failure, and the philanthropic project would see to it that building codes were state of the art and enforced. Of course, what would have saved lives and reduced suffering would be a 24-hour warning and rapid evacuation. The root cause is, after all, seismic activity. Can plate tectonic research, someday, predict earthquakes a day before they hit?

Along a continuum that stretches from relief to research, the foundation has to find its comfort zone. It has to make a strategic decision! One zone is not better than another—immediate relief matters, immensely, to people who are hungry and cold; plate tectonic research is an uncertain bet on a huge payoff. A case can be made for either, or any of the stops in between. What doesn't work is lack of clarity, or the sudden shift of funds for seismology to food delivery. That I call non-strategic philanthropy. ■



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Mark Speich

From a European perspective, Mark Kramer and his colleagues' seminal essays on strategic philanthropy have had an enormous impact on the way that charitable work and the societal purpose of foundations are currently understood. The impact and theory-of-change-driven turn that Kramer et al. helped to bring about fundamentally challenged the foundations' world, in which program aesthetics and pilot projects, without any consideration of scaling, were still quite widespread. They furthermore helped to demystify the similarly widespread claim of success that was based on the unsustainable principle of pouring a lot of money on a rather small group of people and then hoping that someone would come and replicate these efforts. It was fascinating to observe how the buzzwords "impact," "collective impact," and "catalytic" steadily moved from the fringes of the European debate on philanthropy to its very core.

At the same time, other related phenomena triumphed as well. Any senior foundation manager with some aspiration had to juggle the concepts of *impact measurement* and *advocacy*. Corporate foundations were especially fond of this turn, as it presented them with patterns and a vocabulary their funders felt familiar with.

But then came the great sobering. Simplistic models clashed with what Immanuel Kant called the "crooked timber of humanity." In a substantial number of philanthropy-led projects, human interactions proved far less predictable, scalable, and replicable than a foundation's grand strategy had mapped them out to be. And when it came to social change, foundations quickly had to realize that any reliable measurement of impact required a tremendously complicated—preferably longitudinal—evaluation process that even then might not be able to isolate and trace the impact of a single intervention. But who would ever have seriously assumed that the careful evaluation of philanthropic work could produce rules of general validity?

In reaction, some just retreated to the mere simulation of impact assessment by applying greatly insufficient evaluation methods—project aesthetics disguised as strategic philanthropy. Against the backdrop of a tradition that discouraged openly discussing failures, the emerging skepticism has not yet made it to the front stage of the European debate on philanthropic trends, but the rising murmurs cannot be ignored anymore either.

Alas, I cannot help admitting that what is described as emergent strategy falls somewhat short of being strategic.

Into this situation John Kania, Mark Kramer, and Patty Russell have introduced an article putting forward their thought leadership's most recent breed: emergent strategy. Expectations were high that once more the view from the heights of FSG would open up new perspectives on the path philanthropy should take. Alas, I cannot help admitting that what is described as emergent strategy falls somewhat short of being strategic. I do not want to be misunderstood: The challenges of complexity are laid out convincingly, and the need to adapt to the complex nature of social reality is clearly justified. Yet at this point such an analysis does not lead the way anymore. Rather, it merely catches the widespread existing sentiment and seems to label a sound and prudent application of a rigid strategy as a strategy itself.

From my perspective, a catalytic approach to philanthropy that does not provide for the uncertainties of human conduct is in most cases doomed to fail, even without the challenge of complexity. A complicated situation is fully sufficient to wreak havoc on the beauty of a pure strategy. Thus emergent strategy describes the day-to-day duties of a foundation manager who in a prudent way feels responsible for the success of the programs he is overseeing. There is nothing wrong with that. But there is no need to style such an approach as strategy, when in a Clausewitzian sense it seems to be mere adaptive tactics and sound judgment. ■



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Zia Khan

The article by John Kania, Mark Kramer, and Patty Russell advances the discussion on the most fundamental question that program officers in foundations ask themselves every day: How do I balance following plans with seizing opportunities?

The authors give generous credit to the Rockefeller Foundation for the achievements of our impact investing initiative—achievements that could not have been realized without the amazing efforts of our partners who applied energy, resources, and ingenuity to a problem of common concern.

While reflecting on that success, I also find it interesting to examine one of the Rockefeller Foundation's earliest achievements—the eradication of hookworm. In the early 1900s, one of the foundation's initial programs was devoted to improving education in the United States, including a number of initiatives to improve public education in Southern states.

As Rockefeller-funded teams spent more time in schools, it became clear that student health was affecting student achievement. A particular problem was hookworm, which was rampant in those days. Infection rates were up to 60 percent among students

Predicting outcomes and articulating a strategy is not the problem itself. The problem occurs when specificity leads to rigidity.

in many rural counties. Hookworm makes victims lethargic and unresponsive; it was sometimes called the Germ of Laziness. It causes stunted growth, anemia, and digestive problems.

In 1909 the Rockefeller Sanitary Commission for the Eradication of Hookworm Disease was created with the intention of eliminating the disease across the region. The goal of the com-

mission, according to its by-laws, was "to bring about a co-operative movement of the medical profession, public health officials, boards of trade, churches, schools, the press and other agencies for the cure and prevention of hookworm disease." They recognized that it wasn't just about medical cures, but also about communities and government.

Southerners initially distrusted these early efforts. Many took offense at what they perceived to be accusations of infection. Regional newspapers initially criticized the efforts. But in just one year public opinion turned in favor of the campaign. Commission staff innovated in their outreach, using demonstrations, illustrated lectures, and some of the very first movie public service announcements. After five years, the campaign was deemed to have been a success and the commission was disbanded. Not only were incidents of hookworm infection greatly reduced, the campaign was also a great contribution to creating public health institutions in many Southern states.

Was this strategic philanthropy? In essence, yes. There was a clear goal and the overall effort followed three basic strategies: conduct a survey to map out the prevalence of the disease, cure patients at mobile dispensaries, and provide education through lectures and demonstrations. But many innovations were developed after the work was launched. For example, the commission needed to figure out how to overcome the initial resistance that materialized as the work began. These innovations follow the authors' articulation of emergent strategy.

This illustrates one disagreement that I have with the authors' otherwise very good article: In saying that we must "shift from the prevailing model of strategic philanthropy that attempts to predict outcomes," they may be throwing out the baby with the bathwater. Predicting outcomes and articulating a strategy are not the problem itself. The problem occurs when specificity leads to rigidity, as the authors rightly point out. But specificity itself is critical. Without it, many opportunities for learning and disseminating improvements are lost because they can't be referenced to an initial hypothesis. It's said that you learn more by being specifically wrong than by being vaguely right, and in many ways an initial strategy sets a wheel of ongoing learning and adaptation in motion. A strategy for a complex problem should be seen as a framework for action, learning, and continual improvement.

One aspect that could be usefully explored by the authors in future work is the challenge of establishing accountability when using emergent strategy to address complex problems. When is the failure to realize goals a natural outcome of working in a complex system, and when is it due to poor implementation? Defining management approaches for addressing this tension when working on complex problems would help make the valuable ideas in this article even more useful to practitioners. ■