

# Seven Steps for Funding System Change

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A Comprehensive Guide  
for Funders,  
by Social Entrepreneurs

Florian Rutsch



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# Reviews:

"Many social entrepreneurs and innovators are showing the way forward on how to achieve fundamental progress on the most intractable issues of our time by using an approach that focuses on changing the systems that create these issues. The wider funding sector has an opportunity to accelerate our impact by supporting this approach and backing individuals working on this challenging but promising path. Much is to be learned from the pioneers, the social entrepreneurs and innovators that we fund, whether they be new actors with fresh perspectives or existing not for profits trying new approaches. Their experience and co-leadership are essential in our evolution towards a funding sector that supports long term systemic change. We are therefore delighted to have supported the development of this funding guide which thoroughly analyses their perspectives. I hope its practical steps and recommendations will encourage funders to take the first steps or venture deeper into the field of systems change."

- John Knights  
Senior Head of UK Portfolio  
The National Lottery Community Fund

"As an impact investor, we care about impact on people and on influencing systemic change. This report contains much that aligns with what we aspire to do - with particularly valuable thinking on the mindsets and organisational culture needed to invest effectively in systems change."

- The Investment Team  
Big Society Capital

"It picks apart each aspect of giving with regards to System Change and gives a road map for Donors to work most effectively with people working on the front lines of System Change."

- Victoria Watson  
Watson Foundation

"As one of the largest UK independent grant-makers focused on social justice and social change, Paul Hamlyn Foundation recognises many of the issues highlighted in this report. It offers a new framework through which we can look at our relationships with those we fund and/or offer non-financial support to. I am sure it will prove a useful tool to us in the context of our continuous improvement process and I hope other funders will find this guide helpful."

- Régis Cochefert  
Director, Grants & Programmes  
Paul Hamlyn Foundation

"As an impact investor with a focus on system change, I recognise many of the issues discussed in this document and it makes me realise that there is still a lot of improvement possible in the way I deal with investees. I am sure most seasoned philanthropists and impact investors will find this to be an extremely useful guide, based on valuable insights from the most experienced changemakers."

- Maurits Schouten  
Philanthropist

"Whilst systemic impact has grown in popularity, knowledge about how to go about funding it has always been a black box. This guide helps to address this gap, teeing up some important questions and providing useful insights and advice that is not esoteric but very practical in nature. As an educator, I have no doubt that this guide will advance the conversation and add a lot of value to my student entrepreneurs who wish to lead and obtain funding for social systems change!"

- Dr. Nadia Millington  
Senior Lecturer in Practice and Deputy Director,  
MSc Social Innovation and Entrepreneurship  
London School of Economics & Political Science

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# Foreword:

**Big challenges invite us to ask big questions.** And in today's world, there is no shortage of big questions. How can we address seemingly impossible problems? How can we create fundamental change rather than just keeping ourselves busy, fiddling around the edges? How do we find a role in complex and constantly changing systems? How do we make sure we are not inadvertently becoming part of the problem we are trying to address?

If you're reading this, chances are you've asked yourselves questions like these time and time again. They can relate to work happening at a local community level, or at a global level – and everything in between. These are questions that I've been grappling with for over a decade now, and they're the types of questions that drive the social entrepreneurs we work with at Ashoka.

To find answers, our natural instinct at Ashoka is to turn to the social entrepreneurs who have already found answers. We are lucky to follow and support thousands of social entrepreneurs – in some places working alongside them for almost forty years. This gives us unique insights into some of those big questions.

All of the social entrepreneurs we work with at Ashoka are tackling messy, complex problems, trying to create change at a systemic level. This work of changing a system is difficult, and it is different from scaling an organisation. Instead, system change requires social entrepreneurs to use a broad toolkit. They need to stay nimble and adapt creatively to the emerging opportunities for intervention a system presents to them. To build trusted relationships for collaboration across the system and to support stakeholders in changing their behavior. To help others see a problem differently and to invite everyone to be part of the solution.

This raises important questions for those of us whose role it is to support the people creating transformative system change.

As social entrepreneurs navigate the complexity of their work, there are many barriers along the way. A major barrier they regularly report to us, is that their most impactful work – their systemic work – is also the least funded. This is a serious challenge for our shared prospects of solving systemic problems, and at the same time a significant opportunity for funders to massively increase the impact of their funding by enabling social entrepreneurs to work in this way.

To find answers, we turned to social entrepreneurs to learn from their experience. We asked how funding can be most supportive of their systemic work. We also learned from many exchanges with funders and from existing publications that the voice of fundees is largely missing in this conversation. Hence, with the generous support of The National Lottery Community Fund, we had 20 in-depth conversations with system changing social entrepreneurs to capture their perspectives. What you are about to read here is a synthesis of their insights.

We have broken down a wide range of recommendations into a set of practical steps that funders may follow throughout their funding process. The guide's holistic scope serves as a comprehensive roadmap to the many different elements of system change. It should offer opportunities for reflection to those new to exploring the field as well as seasoned systemic funders.

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From this research it became clear that funding system change requires some fundamental shifts: from funding programs to funding people, from short-term projects to long-term purpose, from symptoms to systemic strategies, from quantitative metrics to quality relationships, from fixed outcomes to curiosity and learning, and from individual initiatives to collaborative ecosystems.

Looking at this list, it's encouraging to see many funders making some of these shifts already, and to know that at Ashoka we had adopted several of them from our earliest days. At the same time, while the purpose of the research was to highlight what I keep thinking of as examples of the "positive deviants" – the good practices already out there – this work is intended to pull together a comprehensive guide that all of us can learn from. This guide shares the social entrepreneurs' perspective, but we are also open to sharing our experiences, and hope that others are too.

This research was inspiring, but it showed us that the conversation is far from finished. If you would like to continue it with us, please don't hesitate to reach out – we would love to collaborate on this work. More work is needed on funding system change and we are encouraged by the growing research and number of funders contributing to building this field.

Besides its practical application, we hope this guide serves as an invitation to see and work with social entrepreneurs as co-leaders in the greater shift towards system change. It certainly takes more than just funders to achieve this shift; it also needs the social entrepreneurs themselves, communities, governments, and many more. The biggest takeaway from this piece of work is that there is much to be learned from the experience and vision of social entrepreneurs – the users of funding working at the frontlines of system change. If we are to support them effectively in changing systems, our answers must respond to their questions.

**So as both a social entrepreneur and as a funder, I ask the question: how do we work together to create system change?**

**Pip Wheaton**

Co-Director Ashoka UK  
Ashoka Fellow

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# Highlights:

## Selected quotes from the interviews with social entrepreneurs

**“Start with curiosity and imagination. Instead of just fixing problems or deficits, we reimagine and build the future. See us as a way of accessing new thinking and practical wisdom for iterative, innovative solutions to these systems.”**

**“Systemic funders aren’t purchasing pre-packaged solutions but organisations’ capacity to learn, adapt, and contribute to the wider field.”**

**“The process of funding is as important as the funding itself. It’s not just about more resources for systems change but about how existing funding is being administered.”**

**“Out there is in here: philanthropy can’t see itself as separate. It needs to engage with the systems it is part of and also question its own role in perpetuating them.”**

**“Social entrepreneurs need to not just be heard but also sitting at the table, with their experience from the front lines of systems change at the heart of the conversation.”**

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# Overview of the Guide

The recommendations of this guide are structured in 7 steps according to a general process a funder could go through based on the question, '**How might we go about funding systems change?**'

Since these steps and their associated recommendations from A-Z are at the heart of this guide, we already introduce them here and outline how they build on each other. In 'The Complete Guide' starting on page 11 they are then expanded in much more detail, including short summaries in bullet points, questions to reflect on, and quotes from interviewees to support their recommendations. An overview of all recommendations can be seen on the next page.

These steps are developed for any funder and anyone within a funding organisation who wishes to explore, expand, or champion a systems change approach. Whether individuals or institutions providing repayable or non-repayable finance in small or large amounts, the main principles are the same.

In short, if the goal is to fund systems change, then the steps are to...

Latest at this point, but ideally **throughout all previous steps:**

- 1 Find systemic leaders:** Start by finding current system changers who deeply understand the system and can advise throughout all further steps
- 2 Meet them on a level playing field:** Meet them where and as they are to engage them as active co-leaders throughout all further steps
- 3 Align your support with the vision:** Explore the vision together and the many different systemic strategies that can help achieve it
- 4 Commit to a lasting partnership:** Based on this mutual buy-in, build a trusted partnership for long-term commitment to the vision
- 5 Strengthen their team:** Invest in the people behind the work so they can keep learning, adapting, and creatively intervening in the system.

- 6 Strengthen their wider system:** See the whole field of stakeholders critical to and affected by the vision, so their role in achieving it can be recognised and supported. Recognise and align your influence on these systems as well.
- 7 Invest in yourself and the funding system:** Continue to build your own capacity for system change and support the evolution of the wider funding system together with systemic leaders.

# All recommendations from A-Z by steps:

<b>1</b>	<b>Find systemic leaders and teams</b>	<b>11</b>
	A. Invest in <b>systemic perspectives</b>	<b>11</b>
	B. Invest in <b>impact-first mindsets</b>	<b>11</b>
	C. Invest in <b>experience and commitment</b>	<b>12</b>
	D. Invest in <b>open, proactive search</b>	<b>13</b>
<b>2</b>	<b>Meet them on a level playing field</b>	<b>13</b>
	E. Invest with <b>deep listening</b>	<b>13</b>
	F. Invest by <b>sharing power</b>	<b>14</b>
	G. Invest in <b>the interaction</b>	<b>14</b>
<b>3</b>	<b>Align your support with the vision</b>	<b>15</b>
	H. Invest in a <b>long-term purpose</b>	<b>15</b>
	I. Invest in a <b>range of systemic strategies</b>	<b>16</b>
	J. Invest in <b>experimentation and risk</b>	<b>17</b>
	K. Invest in a <b>range of funding models</b>	<b>18</b>
<b>4</b>	<b>Build a lasting relationship</b>	<b>19</b>
	L. Invest in <b>openness and trust</b>	<b>19</b>
	M. Invest with <b>mutual accountability</b>	<b>20</b>
	N. Invest with <b>meaningful measurements</b>	<b>21</b>
	O. Invest in <b>meaningful communication</b>	<b>22</b>
<b>5</b>	<b>Strengthen their team</b>	<b>23</b>
	P. Invest in <b>creativity and learning</b>	<b>23</b>
	Q. Invest in <b>talent development and retention</b>	<b>23</b>
	R. Invest <b>relevant expertise and contacts</b>	<b>24</b>
	S. Invest <b>generously and collectively</b>	<b>25</b>
<b>6</b>	<b>Strengthen their wider system</b>	<b>26</b>
	T. Invest in <b>representative processes</b>	<b>26</b>
	U. Invest in <b>collective power</b>	<b>28</b>
	V. Invest in <b>system wide learning</b>	<b>29</b>
	W. Invest with <b>all your influence aligned</b>	<b>30</b>
<b>7</b>	<b>Invest in yourself and the funding system</b>	<b>31</b>
	X. Invest in <b>your team</b>	<b>31</b>
	Y. Invest in <b>your ongoing evolution</b>	<b>32</b>
	Z. Invest in <b>your wider funding system</b>	<b>33</b>

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# Objectives of the Guide

## A System Change for Funding Systems Change

Systems change as a concept and approach to social impact has been around for decades and picked up growing attention especially in recent years. Yet, significant challenges remain for social entrepreneurs who have adopted a systemic approach, and many haven't yet because the current social innovation ecosystem is not well set up to support systems change. Social entrepreneurs and other systemic innovators find themselves not only fighting for change in the social challenges they target but also struggling to bring along the organisations and institutions they are dependent on to support their work.

The reasons for these challenges are manifold and can be found in all parts of the ecosystem, whether it is the openness of governments for innovation, the difficulties of measuring impact, the lack of diversity in the sector, or the way that funders fund. This study focuses on funding, although the systemic influence and position of funders implies that it touches on many other challenges as well.

The world of funding is changing, albeit slowly. A growing number of funders are funding systemically and many more are actively exploring this approach. Exciting research has been conducted and more is underway into existing and emerging best practices for different types of funders. We have included a selection in the resources section and strongly recommend looking into these works, which this guide is intended to build upon.

The guide centers around a key message that shines through its specific recommendations, and that largely inspired this work in the first place: **fundees need to engage their fundees more closely as partners and leaders in the funding sector's shift towards systems change.** They need to make sure that the experience of fundees working at the 'frontlines' of systems change is informing and driving this process.

Involving fundees more closely was also a key recommendation of an informal roundtable of different actors in the UK. While it is vital for funders to have their own spaces to reflect and learn, there was agreement that the users of funding were notably missing from most of these conversations. And, most importantly, it has been the loud voices from social entrepreneurs and innovators themselves which highlighted this issue.

Therefore, this study and resulting guide focuses on capturing the perspectives and recommendations of the recipients of funding, the direct users of funders, who have been practicing systemic approaches in their work. The interviewees of this study range from those with decades of systems change experience, including, for example, critical contributions to major international policy changes at the UN and WHO or inspiring global movements, to those with a few years of promising experimentation. The full list of interviewees is given in the 'A Guide to the Guide' section.

Highlighting the voice of fundees through this guide is indeed just one step as part of the greater system change for funding systems change taking place in the sector. Many more steps will be needed to truly empower fundees to be at the heart of this shift and to accelerate its momentum to a pace that gives us all hope for having a collective chance at addressing the enormous problems we face.

## An Opportunity for Funders

If you are picking up this guide, chances are you have already been exploring systems change and its significant potential for social impact, so we will not go into much detail of the case for supporting systemic approaches. The transformative contributions to system changes by the leaders and teams interviewed as part of this study alone are already evidence for the power of systemic approaches. We recommend studying their work and strategies in more detail – further resources and case studies of systems change are linked at the end of this guide, as well.

The opportunity for funders to support the shift towards a systems changing sector is particularly compelling. With their deeply influential position, any **new principles and practices adopted and championed by funders have significant ripple effects across the wider sector.** This power implies a responsibility to continuously explore strategies with the greatest potential for social impact. Once funders change, the effect is transformational: this was a clear message from just those interviewed – a group that has already been funding (or sometimes not funding, but still accomplishing) systemic work. The latent potential for more organisations to step into this work is massive.

**“Our board members would not have taken the risk to try the approach presented by senior management if it hadn’t been for the funder supporting it.”**

The good news is that **systemic work does not have to be expensive.** Small teams are the norm for systems changing organisations, giving them the benefit of faster learning and adaptation. Furthermore, many systemic strategies such as open-sourcing a methodology, setting up a secretariat to coordinate collective action, connecting with activists, do not require a lot of resources. They mostly just need a different understanding of what should be funded in order to achieve systemic goals.

Part of this observation also derives from the resourcefulness, creativity and commitment of social entrepreneurs and innovators to get the important work done.

It is telling that conversations on how they funded their systems changing work often start with, and go into lengths about, their strategies of finding workarounds to the funder’s restrictions with which they were presented. As impressive as this resourcefulness and commitment are, it is at the same time worrying when the work these system changers report as the most impactful is regularly the least funded or not funded at all. Unfortunately, this also comes too often at the expense of their own and their team’s wellbeing. Below are a few comments to illustrate this common challenge which represents an opportunity for funders to grow their impact:

**“After we helped shape the SDGs, which was mostly unfunded, we managed to continue working on UN policy because we charged our trademark to a corporate and were lucky to have a staff member who is married to a diplomat so could work for very little and live for free in NYC. Most of our other policy changes were unfunded as well.”**

**“Our system change ended up being a by-product of the funding. It became just a secondary effort through blog posts and conferences.”**

**“The likelihood of funding that is very targeted, such as project funding, fitting with our existing systemic strategy is virtually nil.”**

These stories repeat themselves in many ways, also pointing to the fact that **funding systems change is not just about finding new resources for systemic work but largely about directing existing resources differently.** Significantly greater impact can be accomplished by recognising the limitations of current funding and enabling it to be used systemically. Most of the recommendations are about the ‘how’ and not just the ‘how much’.

Another challenge is that the social sector and its funding levels have remained largely the same compared to overall economic activity and struggle to keep up with the scale of today’s challenges\*. Hence, this is both an invitation for ever-greater generosity, as well as a reminder to not lock available funds into purely program-based, direct delivery, short-term projects with immediate, easily traceable outcomes, but to also allow them to be applied in the most systemic way possible to unlock their full potential for impact.

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\*<https://data.ncvo.org.uk/impact/>

## A Collective Effort

In the same way that the greater shift towards a systems changing ecosystem requires collective efforts, this research has involved and wouldn't have been possible without the input and support of many contributors. First and foremost, it relied on the generosity of the twenty systems changing social entrepreneurs and innovators who invested their precious time to share experiences, perspectives, and recommendations, and The National Lottery Community Fund who funded this study.

**Andrew Bastawrous:** Peek Vision  
**Anna Laycock:** Finance Innovation Lab  
**Chris Underhill:** citiesRISE  
**Fredrik Galtung:** TrueFootprint  
**Jeremy Spafford:** Arts at the Old Fire Station  
**Jo Prestige:** Homeless Link  
**Ken Banks:** Kiwanja  
**Marc Koska:** SafePoint Trust  
**Mark Swift:** Wellbeing Enterprises  
**Mel Young:** Homeless World Cup  
**Michael Sani:** Bite the Ballot  
**Mohammad Al-Ubaydli:** Patients Know Best  
**Nicole Rycroft:** Canopy  
**Pat McArdle:** Mayday Trust  
**Patrick Holden:** Sustainable Food Trust  
**Rob Hopkins:** Transition Network  
**Simon Berry:** ColaLife  
**Sue Riddlestone:** Bioregional  
**Tim Conibear:** Waves for Change  
**Toby Lowe:** Northumbria University

Moreover, several members of the UK ecosystem, including Social Innovation Exchange, Northumbria University, Lankelly Chase, The Point People, and Comic Relief, came together in an informal roundtable to map out a potential vision for the funding system and informed this study. Jerro Billimoria, a serial social entrepreneur who is pushing for systems change in funding on a global level, was and continues to be a major inspiration for this work.. Many more conversation partners have influenced this work, such as Big Society Capital, Access – The Foundation for Social Investment, Social Finance UK, UnLtd, The Freedom Fund, Spring Impact, and the 78 attendees of our funding systems change ecosystem event during the Skoll World Forum 2019, among many other inspiring conversations.

We hope this guide will inspire further conversations and collective efforts on funding systems change. If you are interested in a conversation with us, please write to: [infouk@ashoka.org](mailto:infouk@ashoka.org). We look forward to hearing from you.

Also at Ashoka, a wider group of teams and staff members were involved. Florian Rutsch conducted the research and authored the guide. Ashoka UK Co-Director and Fellow Pip Wheaton as well as UK Co-Director Nikki Gravning were key in championing it. In addition, Alexandra Ioan, Manmeet Mehta, Mark Cheng, Michela Fenech, Odin Mühlenbein, Olga Shirobokova, Tatiana Cary, Todd Pavel, and Valeria Budinich all contributed essential support and expertise.

Ashoka continues to develop and support ecosystems for social entrepreneurship and changemaking around the world since its work began with finding and supporting the world's leading social entrepreneurs in 1981. Since then, systems change has been the underlying definition of the 'social impact' and 'new idea' criteria in our rigorous selection process. Today, we are a global community of more than 3500 Fellows in over 90 countries working collectively across issue areas and towards a world where everyone is a changemaker.

Through our lifelong Fellowship, we have been supporting and learning intimately from Fellows how they create systems change over the long-term, not only in terms of the strategies they use but also their leadership styles and other characteristics – such as wellbeing – that help them, their teams, and their collaborators achieve systems change together. We continue to learn every day and strive to contribute our knowledge in a meaningful way to the great wealth of existing information. If you would like to read more about the work and strategies of Ashoka Fellows, visit our website [www.ashoka.org](http://www.ashoka.org) to search their profiles.

## A Guide to the Guide

The guide synthesises the recommendations of the interviewed system changers into 7 steps and 26 recommendations from A-Z for funders to effectively support systems change. The steps naturally overlap to a degree and do not need to be all followed in the order given but, at the very minimum, they present the key elements of an effective approach to funding systems change and should all be considered. As will become evident throughout the guide, more than just individual, separate steps, they also represent an overarching process of continuously developing behaviours, mindsets, and relationships that underpin the nature of systemic work.

Most of the recommendations and the language of the report are framed around investing, as the term implies a partnership-like relationship. While we recognise its definition is often limited to providing repayable funding, we use it here in its broader definition of dedicating all kinds of values to people and their causes. In general, the language of this field is rather diverse and not always clearly defined so we included a small glossary of how we are using certain terms, acknowledging that there are many other similar terms and a need to further clarify definitions.

The quotes shown are only a limited selection to further illustrate or add a point to a paragraph. These are exclusively from interviewees – i.e. the recipients of funding, rather than funders – since the aim of this guide is to highlight the fundee perspective. At the same time, to enable greater openness, all identities of fundees and funders have been kept anonymous in the recommendations.

The interviewees received funds from various sources including individual donors, foundations, national or international institutions, governments, businesses, and social or commercial investors. Hence, the guide considers and is relevant for any type of funder and for anyone within a funding organisation who wishes to explore, expand, or champion a systems change approach. This is also the case for funders who are themselves very active in the implementation process on the ground as well as for the majority of funders who are less hands on.

At the same time, there is a recognition that different funders come with different limitations and most of the interviewees' funds have been of non-repayable nature. This challenge relates to the difficulties of monetising systemic work which has implications for funders who exclusively provide funds with a positive return expectation, a challenge discussed in recommendation 'K' as well. Generally, unrestricted non-repayable funding is more flexible and therefore particularly suitable for systemic work. Grant and donation-based philanthropy or hybrid models which blend both repayable and non-repayable capital therefore have an opportunity to be particularly powerful drivers of systems change.

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# Recommendations:

## The Complete Guide

### 1 Find Systemic Leaders and Teams

From the very beginning of a journey towards system change, the experience and leadership of those who have already been deeply immersed in the system, needs to play a central role in changing it. These systemic leaders can provide, among others, the essential guidance, networks, and momentum to get started and to continue with all following steps.

Systemic leaders tend to practice a form of leadership that is different from traditional models. In this step, we therefore look at their leadership characteristics as well as how and where to find them. In step 6, we dive deeper into key considerations for the process of finding systemic leaders as we explore the important role and far reaching effects funders have on the wider system. The Resources section includes further valuable research on the characteristics of systemic leaders.

**"You don't get high impact through project funding; you have to back individuals if you want a huge return on investment."**

**"The best funding for system change has gotten behind the team."**

#### A. Invest in systemic perspectives

- Balanced and holistic perspective of the wider system beyond their own organisation and solution
- Clear vision of a better system and its potential pathways from current to desired state
- Acute awareness of the nature of relationships and power dynamics in a system
- Openness to uncertainty and emergence

**Is there a clear idea of how the system itself would work better?**

Systemic leaders are driven by a perspective inclusive not only of their own organisation and solution to an issue, but also of the whole system

behind the issue, the conditions perpetuating its negative outcomes, the many different actors involved, their relationships to each other, and their incentives and solutions.

**"It's about seeing the whole horizon".**

This balanced, holistic perspective allows systemic leaders to have a compelling vision for how the system would function better and a detailed critique of the conditions that need to change so that the system might find a pathway towards the envisioned state.

System changes often require stakeholders to change their behaviour who are content with or even protective of the status quo. Therefore, systemic leaders know where the power lies in a system and how to unlock change by influencing and shifting relationships of power.

**"To a certain degree you can make the weather but it's best to jump on existing momentum."**

Since systems are dynamic by nature and can take many different pathways as they change, systemic leaders are comfortable with uncertainty and embrace emergence. Their interventions to affect a system's conditions are not based on a fixed strategy but adapt to how the system responds and evolves.

#### B. Invest in impact-first mindsets

- Want to see the problem through
- Constantly challenge their approach
- Drive collaboration, also among unlikely allies
- Focus on spreading impact not scaling organisations
- Often run small nimble teams
- Develop independent, healthy systems and invite others into a stewardship role

**Are there past changes in strategy that serve as a demonstration of commitment, learning, adaptation?**

Systemic leaders tend to place impact before themselves and their organisation because they want to see a problem through. They understand that this often requires them to partially let go for the sake of effective adaptation and collaboration.

**“The key to success is not trying to control everything.”**

Knowing that linear strategies will not work in a non-linear environment and that changing systems typically requires interventions at multiple leverage points, they are careful not to stay attached to a single approach but rather challenge their work and experiment with different strategies while maintaining a focus on their vision.

Similarly, they understand that this is not accomplished by one organisation outgrowing the problem, by increasing market share, by claiming a market niche, or by protecting knowledge. Instead, an open, collaborative leadership style helps them catalyse action across organisational boundaries and competing interests. It allows them to align the interests of many different actors behind a shared vision and to inspire the leadership of others.

This approach creates more impact than they would be able to achieve alone, even as a potentially larger organisation. In fact, they may maintain deliberately small teams to stay nimble and to be able to change quickly in response to new insights or emerging opportunities.

Systemic leaders aim to ultimately make themselves redundant and are careful to neither create dependencies on them nor on secondary, separate systems where the same resources were better spent on improving the existing system. They rather enable healthy, resilient, independent systems by catalysing existing local resources and supporting others in adopting a system steward role.

**“As long as we need to remain part of the solution, it’s not a solution.”**

## C. Invest in experience and commitment

- Deep understanding of a system, often through lived experience or personal connection to the problem
- Long-term commitment and strong ethical compass
- Might need to be funded as individuals

**Have they invested sweat equity and built trust and relationships in the system?**

Systemic leaders spend a long time apprenticing with a problem and building trusted relationships to gain essential knowledge about the system. Having a personal connection to an issue, whether through lived experience or other influential experiences, can be a powerful indicator of a deep understanding of the system and long-term commitment to finding and pursuing solutions.

**“Despite our extensive track record, trying to get support is very difficult.”**

They generally have strong ties with the community and the ultimate beneficiaries they aim to serve, engage them in the work, and support them to be changemakers in their own right. At the same time, they seek out and actively engage with a variety of actors across the system where they build key relationship as well. Sometimes they fulfill an essential role deliberately in the background as connectors, coordinators, careful power brokers, or highly focused influencers which can make them more difficult to identify.

**“Similar to talent scouts in sports, look for where the energy for change sits in a community and who has invested sweat equity.”**

Despite a strong focus on growing their indirect impact on the system, their strategies typically still include a component of direct impact to stay close to their beneficiaries for ongoing feedback, learning, adaptation, and improvement.

**“It’s a skill to unpack the aspirations of a community and to ask the right questions, not just the ones that suit yourself.”**

## D. Invest in open, proactive search

- Can be found across all backgrounds and different terminologies
- Immerse yourself in the system and look also at the fringes

Systemic leaders can come from any background. Consequently, the process of finding systemic leaders needs careful attention and a wide, proactive search. For those who are excluded from existing networks or marginalised more generally, making contact with funders is prohibitively difficult or not even a consideration. Unless this is taken into account, system change efforts run the risk of limiting themselves to the usual suspects and established institutions while failing to represent the whole of society.

**“Anyone who is serious about taking on the power structures that maintain systems must be open to talking to people outside their existing networks and knowledge. It may create extra work, but that’s the work of systems change.”**

To harness the best talent out there, it is vital that funders not only rely on themselves, their peers and existing relationships. There must be an open introduction process and a proactive effort on behalf of the funder to immerse themselves in the field, such as going to relevant sector events, to increase the chances of finding and being found.

**“Funders need to be courageous enough to identify, reach out, engage and invest in such individuals and groups.”**

In addition, systemic leaders might not use this term to describe themselves, or any similar term or language for that matter. Some might make this choice deliberately since describing themselves as such publicly could undermine their work which often depends on a form of non-leadership that actively invites others into leadership and ownership. It is rarely based on a hero narrative which social entrepreneurship has unfortunately often been confused with.

**“Put yourself out there as a funder and listen deeply.”**

Since systemic leaders don’t necessarily organise in separate legal entities and might be embedded within another organisation or a non-registered

entity such as a collective movement, look beyond standard organisational formats and consider funding individuals. This can be done, for instance, in the form of a stipend or part-time salary.

2

## Meet on a Level Playing Field

### E. Invest with deep listening

- Have open conversations with humility and vulnerability
- Seek to listen with empathy, curiosity, imagination, and awareness of one’s own biases and assumptions
- Build the basis for an honest, respectful partnership

**How can you best learn with those immersed in the system? How can you invite different perspectives?**

Given the nuances and complexities of system change work, funders are able to see and empathise with the fundee’s perspective and experience much better if they are open to unsolicited conversations outside of application processes and cycles. These conversations are most fruitful if both sides meet with humility, vulnerability, and integrity to build up a strong relationship over time.

**“It’s hard to ask for money and it needs quite a bit of self-belief and vulnerability to engage someone deeply in the work.”**

In many cases, the work of systemic leaders is about shifting our very perspective on a system by, for example, changing the problem definition, redefining measures of success, or identifying unlikely allies and new pathways for the system to change. Challenging such deep-rooted assumptions is most successful when self-awareness is combined with a generous amount of curiosity and imagination to escape current thinking and to unlock new perspectives and opportunities.

**“Assume that everything you know is wrong; start again from the basics and challenge yourself.”**

Effective relationships seem to start with this deep shared understanding and buy-in to a vision for the system, and at the same time embrace complete openness and honesty about the challenges ahead.

Similar to a partnership, both sides should be clear about what they need from each other and the contributions they will bring to the table – also for the less glamorous parts along the system change journey: such as the difficult work of engaging with opposing forces, the tiring process of slowly and patiently changing mindsets, the frustration of good policy being reversed and immediately responding with more action, the unseen and unrecognised work in the background of bringing it all together, and ensuring that everyone has ownership.

**“Funders need patience to discuss, not just the odd coffee conversation.”**

**F. Invest by sharing power**

- Be aware of your inherent power and privilege
- Give power as a partner, don't mandate/change the mission
- Support across issue areas, not just specific focus areas
- Align type of financial capital with impact, not vice versa
- Ensure support is driven by the fundee, including your public recognition of the work; if required, stay anonymous
- Be clear about incentives on both sides

**Are you truly giving or holding power away? Are you pushing for a different direction? Ask open ended questions: ‘How can we help?’ Or: ‘What has the most leverage from your perspective?’**

It is essential to recognise the inherent power dynamics and privilege attached to a position of administering funds which allows funders to easily tilt the table and can end up pushing the relationship into a master-servant dynamic. This is especially the case if the fundee is experiencing stress or an essential piece of work is on the line. Excessive funder influence can force fundees into a choice between bankrupting the bank account or bankrupting the mission.

**“The team is here because we are uncompromising on the mission, not because we follow the money.”**

Given the interconnected, nested nature of systems, tightly prescribed focus areas can further limit the ability of fundees to effect system change which often requires breaking down these very silos and enable cross-sector action.

The same is true for different types of financial capital and their respective restrictions which can be prohibitive to the long-term, non-linear nature of system change work and might push the fundee down a different route. Hence, funders can be most effective if they stay open to broader focus areas and align capital needs with impact – potentially drawing in other capital if required.

**“The best funders ask, ‘How can we help?’, and really enjoy coming on the journey together.”**

Sometimes, sharing power also means taking a step back and removing yourself from direct involvement and/or public recognition of the work. While awareness and advocacy support or the convening power of a funder's influence can be very helpful, it can also be detrimental. Make sure your involvement is driven by the fundee and everyone is clear about their incentives and boundaries from the beginning.

**“Do you need your involvement to be known widely? If the answer is yes, systems change is probably not for you.”**

**G. Invest in the interaction**

- Ensure nuance of work doesn't get lost internally
- Compensate for time that helps you learn and where significant investments are involved in the validation process
- Keep processes short and communicate openly throughout
- Empower frontline staff in the decision-making process

**How can you minimise and mitigate the unintended negative impacts of the funding process? Are you finding and meeting potential fundees where they are?**

The transaction costs of funding are often very high and while not all of them can be avoided, it can make a big difference if they are minimised and mitigated where possible. It starts with recognising the time needed to make funder engagements when every minute the fundee can focus on their work counts.

**“Funder engagements can feel extractive.”**

This is true for shorter and longer engagements. In particular, however, in cases where applicants are turned down late in the process after significant upfront investment, sometimes after years of building a relationship and going through several stages and associated conversations. While it might not be possible to fully mitigate this, shorter feedback loops and open communication throughout can help.

**“The feedback culture across the sector has been lost, it should be resumed to provide learning opportunities and to strengthen the work.”**

Another common issue seems to be internal decision-making processes where a key influence on the final decision rests with an individual or group with limited time, relevant expertise, or proximity to the fundee, their work, and the system in question which means nuance can get lost between the frontline staff and decision makers. This can be addressed to a degree by giving more responsibility and capacity to frontline staff across the funding process.

**“Too often those with limited connection to an issue make the decisions in a removed boardroom.”**

Funders should consider covering some of the costs associated with the validation process, such as a small grant allowing for the time needed to prepare for a larger grant. Potential future opportunities to apply for funding do not make up for the real costs involved. Where engagements allow the funder to learn, whether it's strategies, insights, challenges, perspectives on the wider field, or more, consider investing in the time spent as learning and covering the costs appropriately.

**“We are in a perverse situation where social entrepreneurs spend resources on educating investors.”**

Applications without a conversation tend to not live up to the complexity and can push fundees to less efficient routes with limited access, such as trying to influence the funder through other contacts that only some might be privileged to have. Where high numbers of applications are involved, funders may offer workshops or open days to go through the application form so that everyone can start on a more equal playing field, especially if English is not the first language of the applicant.

**“It's really frustrating to have funders who don't want to have conversations – it's just like shooting darts at a dartboard.”**

## 3 Align Your Support with the Vision

### H. Invest in a long-term purpose

- Aim for a clear, ambitious vision, and be realistic about time
- Start with and focus on purpose rather than process
- Be clear about the meaning of terms, e.g. scale and power

**Are you clear about the vision and change you want to enable? Are you prepared to see the vision through? Are you expecting a clear beginning and end? What might be possible in ten years?**

With an ambitious, shared vision being the cornerstone of systemic work and the “emerging force” driving it, due attention needs to be given to ensure clarity and shared buy-in. While the goalposts might change, the north star remains the same. Therefore, the latter needs to be the starting point and informed by the systemic perspectives discussed at the start of step 1.

**“It's not about fixing problems, but about reimagining and building the future.”**

**“When the problem definition changed it was pivotal and everything else changed.”**

Explore this broader narrative first without getting too specific and then connect the dots back to the system, how it might shift, and only in the end how to intervene. It can help to engage additional tools and visual frameworks, of which there are many easily available, and potentially even support from facilitators, storytellers, layout artists, and others.

**“The 4-minute pitch culture is oversimplifying; this work requires a certain level of sophistication.”**

**“The power comes from working out the how towards the purpose, so the social entrepreneur should not be bound by a process but by a purpose.”**

The vision can reset the frame of understanding and represent the system change itself, such as a shift from helping homeless people to ending homelessness. From there, a long-term perspective can genuinely start to tackle root causes and consider what might be achievable by bold, potentially catalytic initiatives in ten years, rather than a quick fix in three years. For significant change to happen, the failures of the current system need to be addressed, just lightly tweaking things will not be enough.

**“Funding is often influenced by the flavour of the month.”**

While some forms of system changes may be achieved relatively quickly, there is a danger in assuming that the work is done. For example, funding often falls short after a successful policy change which in fact needs to be followed-up on and monitored to ensure it is implemented well and actually works as expected.

**“There is tremendous dissonance in the logic of funding and project cycles.”**

To enable clarity of purpose, clarity of language is essential. Common terms such as, and certainly not limited to, scale, sustainability, power, leadership, collaboration, collective impact, impact, innovation, and indeed systems change, are understood differently. Scale, for instance, may include assumptions about depth versus breadth of impact, or might implicitly link the size of impact to the size of an organisation. As discussed earlier, this differentiation is key since it is generally the size of indirect impact beyond the size of an organisation which enables systems change.

**“This is not about just making us more successful and bigger but about how to put us out of business.”**

## I. Invest in a range of systemic strategies

- Recognise long-term, non-linear pathways of system changes
- Understand that initial articulation of pathways might be difficult
- Be open to very diverse systemic strategies
- Stay curious, support experimentation and adaptation

**Given the vision, what changes are needed in the system? What does the system need? What are the conditions that can bring about its actualisation? How can we best affect these changes?**

With the vision set, it is time to define the different systemic pathways that could lead there. These might be difficult to articulate in the beginning and will certainly change along the way as the learnings about how the system is responding are coming in. Rather than an extensive business plan, iterative strategy documents can help outline these potential pathways and assumptions about which specific changes in a system will create the conditions for it to shift towards a new, improved state. A system thinking mindset and relevant frameworks are of value in this process.

**“Everyone knows that the business plan is invalid the moment it is written.”**

In alignment with the identified pathways of how the system could change, different strategies to intervene in the system may be employed at the same time to affect the targeted changes. To allow for the greatest possible impact on the system, it is vital for funders to be open to a wide range of interventions. In the event of a selected intervention falling outside the funder’s remit, funders have sometimes been able to offer an intermittent solution to their restrictions by helping fundees with retelling the story in such a way that the intervention can still be included in the funding.

**“Social entrepreneurs want to see the problem through, funders limit it to standard work.”**

Strategies for systemic impact may include, for example, advocacy to influence policy, research to create knowledge or to verify facts, communications to build awareness and movements, collective impact processes to organise networks for greater collaboration and leverage their collective power, etc. Sometimes the most effective strategies might take the shape of a practical book, a provocative documentary, an influential publication, a white paper, mass advertisements, public court cases, industry events, awards, certifications, new measurement tools or indicators, and many more.

**"Funders are often stuck at the idea of a project with a clear beginning and an end, and instead need to recognize that it's a long-term process."**

## J. Invest in experimentation and risk

- Recognise risk from operating in a constantly changing and complex environment as a necessary feature of systems change
- Be clear about your risk appetite and alignment
- Consider using your funds to leverage more risk-averse capital
- If unsure, start with small amounts and build trust

**How are you evaluating and defining risk? Are you willing to accept the risk of failure for the potential of much greater systemic impact?**

Systems work requires experimentation and innovation to continuously test and improve the effectiveness of different strategies by observing how the system responds to them. It requires adaptation to emerging opportunities or unforeseen events which have an effect on the system, positively or negatively. For these reasons, systems work naturally requires some level of risk.

**"It can take a while to figure it out, you need to start without knowing everything."**

Funders committed to systems change are therefore encouraged to align internally on the risk they are willing to take, such as reserving 50% of the portfolio for riskier and longer-term systemic strategies, and

to make a clear statement on risk acceptance. This is less about forecasting risk, and rather about past risks taken by the funder to prove commitment to systems change for evaluation by fundees. In addition, both sides should have a conversation about what risk means to them and align on a shared understanding.

**"Curiosity and risk make the most synergistic combination for systems work."**

There seems to be a cultural or regional difference among funders as well. The pattern shows a significantly greater risk appetite among US funders, so much so that several fundees reported to focus their fundraising efforts for systems change work almost exclusively on the US. To further prove the case for a systems change approach despite some risk involved, Ashoka and McKinsey published a report on the enormous economic potential of even small system changes (see Resources).

**"Maybe just 1 out of 10 make it but the return on investment is so large that it's totally worth the risk."**

Funders can also help assume more of the risk by supporting fundees with, for instance, unsecured loans should a business case exist or by acting as guarantor for other lenders in order to leverage risk-averse capital from other sources.

**"The community was expected to take on all the risk, no bank would lend any money until there was planning permission. Afterwards, everyone was falling over themselves to be part of it - but it required seven years of previous work."**

As with any social change work, there is of course always a risk of unintended negative consequences and steps should be taken to predict and mitigate those where possible. A systems thinking approach is inherently designed to illustrate interconnections but it needs to be informed by users and stakeholders in the system. Collective impact processes which involve a diverse set of actors to engage their perspectives can help as well.

In some cases, risk can arise from a strategy working just as intended. Many kinds of system changes have some negative implications for those benefitting from the status quo. Their incentives to maintain it might be strong enough that they try to actively intervene in the work and approach the involved organisations, including funders, in an attempt to deter them from continuing the work. When such a risk exists, it is important for funder and fundee to align on whether the funder's brand and influence can help, or if it is best to stay anonymous.

**"Tolerance for risk is key and part of the best relationships."**

Where funders are unsure about the level of risk in a specific case, even small amounts can be very impactful to start testing the work, build trust and strengthen the relationship step by step.

**"We were told that we are mad and off our heads at the first fundraising dinner. Some laughed, others applauded, and one person gave us a small amount of funding with no strings or logo attached. This was the beginning of a brilliant partnership and journey which has taken this movement to 74 countries today."**

## K. Invest in a range of funding models

- A profitable business model might not be possible or desirable
- Combine repayable and non-repayable funding where needed
- Consider hybrid models and financial returns in the middle of the returns spectrum

**Given the strategy, how do we best allocate resources? Is (some level of monetisation possible or would it distract from, possibly even be in contradiction to the systemic strategy?**

A significant challenge lies in the fact that most systemic strategies tend to be difficult to impossible to monetise. In some cases, a single strategic activity can indeed generate enough revenue to sustain at least itself, or a separate profitable revenue stream can support other, non-monetisable systemic strategies with the much-needed, unrestricted, sustainable funds.

However, complete self-sufficiency is rare and in many cases, monetisation is not attainable or even desirable. As a result, revenue generation is rarely the complete answer to long-term financial sustainability and systemic organisations usually depend on some level of grant funding, if not entirely.

Systemic strategies for social impact are often in direct opposition to typical business strategies which are regularly observed to create perverse outcomes for those interested in maximising social impact. For example, common business objectives like claiming intellectual property rights, protecting proprietary knowledge, and carving out a market niche or maximising market share, are with few exceptions contrary to system change objectives which are much more about spreading impact and supporting, even incentivising others, to replicate the work.

**"In our experience, social investment is mostly just investment; the conversation becomes the same as any other business – not much social in there."**

Furthermore, attention needs to be given to several challenges, including the risk of the business becoming a serious distraction for the team and shifting incentives, attention, and resources away from the system change goal; the business never reaching profitability and ending up as a liability to the organisation; and deterring other funders by mixing for-profit and non-profit elements, such as grant makers worrying about their grants generating profits and benefits for investors.

**"Our model confused the funder, they had two separate pots of money – grants and investments – and couldn't decide where to place us."**

Yet, hybrid business models combining both sides of the returns spectrum through some level of revenue generation are a common and effective setup for systems change organisations. This is an invitation to funders to be more open to mixed funding approaches and allowing repayable and non-repayable funding to come together in meaningful ways, recognising that some work, albeit limited, might be monetisable without compromising on impact.

Where there is a clear business opportunity which is aligned with the system change goal, funders are of course encouraged to support the fundee in capturing it. This is especially true if the act of validating the viability of a business model is part of the system change strategy. It can show that a market opportunity exists where there is a first mover disadvantage so that others will join in and help build the market who would otherwise not take the risk. It can also be used as a strategy to prove that a business can be run profitably in a different, perhaps more sustainable, ethical, social, or other way. Naturally, these require risk and are a case where grants in the early stages of the business can make the difference, despite a profit motive.

**"The venture capital mindset is all about quick success or quick death – slow success is worst, which is what system change is about."**

Sometimes, it can also make sense to maintain a business model even if it might never be fully profitable. There seems to be a small but growing number of investors willing to explore the wide range between 0% repayments in the form of grants and 100% + interest repayments in the form of loans. For example, investing in small independent media companies might not always be profitable but running them at a loss is nonetheless 'cheaper' than funding them through grants since some of the investment is still repaid and thus allows the work and impact to continue for longer.

Ultimately, each case needs to be considered in its specific context and should be carefully evaluated on whether it is indeed a suitable and sensible approach to pursue a profitable business model or some form of monetisation. It is certainly always worth exploring the possibility of revenue generation with the above challenges in mind and funders are encouraged to help fundees create the infrastructure that allows them to keep going.

## 4 Build a Lasting Relationship

### L. Invest in openness and trust

- Model humility, openness, curiosity, and honesty
- Create the space for deep listening, constructive challenging and genuine learning
- Engage in a continued dialogue and come along on the journey
- Develop a shared understanding of what trust means for both sides

In the same way a strong relationship starts with humility, openness, curiosity, and honesty from the beginning on as described in earlier steps, the same key principles need to be continuously upheld and actively practiced when building and maintaining the relationship for the long-term. If these principles are lived, it sends a signal and sets a tone that can be transformative for both sides and the work itself.

**"It is really reaffirming and a vote of confidence if funders show up more as a partner."**

How these principles translate into action depends on each individual and there are of course a variety of ways of building and organising long-term relationships. In the end, it essentially comes down to trust – the shared goal of these principles. Different people have different understandings and needs when it comes to trust so it is important to take the time for co-developing a shared perspective of what trust means in the relationship and work at hand.

**"Ultimately it's head and heart, an open and honest conversation about what is needed."**

Regular feedback loops with a healthy level of tension between challenging and supporting can certainly help. Honesty is key here to ensure that both sides truly understand, rather than try to impress each other. Funders need to help curate a suitable space for constructive conversations about the real, sometimes difficult learnings, not just about what worked well.

Only then can funders play a role in helping share these learnings with the wider field, so they have a greater impact beyond just one organisation.

**"It's just as important to talk about stuff that doesn't work as what is working, especially if you are pioneering new ways and want to help the system learn."**

### M. Invest with mutual accountability

- Co-define the purpose of accountability and its sources
- Ensure accountability is defined for both fundee and funder
- Understand how accountability measures are a form of power

**To whom and how are funders and fundees accountable? What different forms can accountability take in the case at hand?**

**"If there is no trust, then accountability won't help much. The starting point needs to be: if there is trust, then how are we accountable?"**

Similar to definitions of trust and risk, accountability has different meanings for different people and contexts, and so its application and purpose should naturally be reviewed carefully in any relationship. Its multidimensional nature also implies that it derives from different sources, and all of them should be taken into account in the process of co-designing a shared understanding of mutual accountability.

The purpose of accountability can be understood as helping to ensure that positive impact is maximised given available resources and other limits such as laws and the team's wellbeing. Based on this definition of success, different sources for fulfilling this purpose can be identified. This definition and the example sources below are certainly not definitive. They are meant to be an inspiration for aligning on the purpose and different forms of accountability in each context.

**"Keep the conversation going and you will probably notice."**

On the fundee side, this purpose can be fulfilled by, among others, taking into account a combination of the fundee's past commitment and connection to the issue, their ethical compass and responsibility, their ambition to maximise impact by having a systemic approach and by constantly learning and adapting, their inclusion of beneficiaries and diverse perspectives from the wider system.

On the funder side, this purpose can be fulfilled by, among others, taking into account a combination of the funder's long-term commitment to the issue and vision, their risk tolerance to support systemic strategies, the amount of resources given relative to resources available, their degree of learning and adaptation to what works best in supporting their fundees, and their inclusion of fundees in their work.

It is indeed important to remember that both sides need to subscribe to relevant forms of accountability. A one-sided approach, especially if it dictates what accountability means from the onset, reinforces imbalanced power dynamics.

**"Organisations have to be very vulnerable and funders are not."**

Unfortunately, accountability is often reduced to unrealistically rigid plans and simplified quantitative measures which make systemic work prohibitively difficult. The next section explores this in more detail.

**"Plans are mechanisms to say I don't trust you."**

Many of the above example sources of accountability are difficult or impossible to measure in meaningful quantitative ways and thus depend on qualitative judgements, perhaps supported through external independent input, to build the required trust.

**"Especially if there is a track record and trust in the strategic approach, judgement, and senior management, then let them run at it and let loose."**

## N. Invest with meaningful measurement

- Co-design definition of success
- Measure direct impact, but merely describe progress on a systems level and contributions made, not claiming attribution
- Use quantitative and qualitative measures
- Outline assumptions about how the system might change

**What is the definition of success? How certain are you the numbers are meaningful? Could incentives change, both positively and negatively, as a result of measuring a specific metric? How can you recognise contributions to system changes, rather than claiming impact?**

### What are the limits of meaningful measurement?

Meaningful measurements based on a clear definition of success can be of great value to accountability and learning in particular. Yet, there are two key challenges: the limits to measuring meaningfully and the danger of equating accountability with quantitative metrics which cannot only create perverse incentives but also deter their practical use for learning as an organisation and system.

**"We need the intellectual humility to know and accept the limitations."**

The limits to measuring meaningfully are a common issue in impact measurement in general but are particularly pronounced when it comes to systems work. As discussed previously, such work is at the mercy of a system's complex interdependencies which make attribution largely impossible.

**"Tightly prescribed funding often ends up making you do something that wasn't right."**

Funding limited to specific outputs undermines the long-term, adaptive essence of systems work. It ends up becoming piecemeal projects with a limited set of systemic strategies and limited ability to be creative and make use of emerging opportunities. Systemic organisations evolve regularly and the moment they are tied to how they do it, they lose most of their power and potential.

**"Those who are most authentic in their engagement, committed to impact rather than specific strategies, recognize that to be really impactful you will need to adapt along the way and get rid of plans down the line that may have been written in the beginning."**

Tightly prescribed funding also means that organisations struggle to capture much of the other value they create, typically in the form of learnings from, for instance, improvements in their service delivery to beneficiaries, insights on systemic opportunities, or the effectiveness of certain systemic strategies. These learnings for direct and indirect impact are of course much more impactful when they spread widely and their adoption is supported and incentivised across the system.

**"Outcomes are not delivered by organisations, they are delivered by systems."**

Funding tied to specific outcomes ignores the complexity of factors that influence them, especially on a systems level where attribution, deadweight, and displacement essentially become impossible to measure. Ironically, the wish to be able to attribute funding to results leads to a preference for funding direct impact which severely limits the possibilities to create indirect, systemic impact.

**"If there was a neat line between outputs and outcomes it wouldn't be systemic."**

With outcomes beyond the control of any one player, focusing on measuring the outcomes that people can't control creates incentives for producing good looking data and corrupts the openness and honesty needed for important learnings to surface and spread.

**"It's not useful to have people who are just constantly shouting how amazing everything is."**

### What can be measured meaningfully?

The outcomes of direct impact through the products or services delivered to beneficiaries or through other direct interventions on an issue should be measured with the best possible means, ideally driven by end-users in real-time. The choice of direct impact metrics to measure should be co-designed by the fundee and end-users, with the capacity needed for evaluation supported by the funder.

Measuring outcomes of direct impact is a complex task and care needs to be given when interpreting and comparing quantitative metrics since they rarely capture the full picture and depth of impact or might have been produced using different methodologies. However, before best practices for direct impact are spread through the wider system, there must be some form of evidence that they are indeed better than other solutions currently in place. The more user-driven and real-time these are, the more power is given to beneficiaries, the better the feedback, the faster the learnings, and the greater the incentive for collaboration is, too.

For systemic interventions, here are a few options that can aid decision making we learned from the interviewees and Ashoka's wider work on systems change:

- a) measures of a system's overall results to see if it is improving
- b) a set of specific, measurable milestones that could be evidence for the system shifting towards its new desired state, such as the number of industry leaders having replicated a new practice, key media outlets covering an essential topic, or the steps that have been completed in a formal policy process
- c) a list of contributions towards these milestones and a description of how the milestones have progressed over time, without claiming that the progress happened because of the contributions
- d) comparison with similar systemic strategies used elsewhere and their reported effectiveness

The above list naturally needs to be based on the vision discussed in the previous step, including the assumptions about how the system might change and how intervening at specific leverage points is expected to shift the system. These shared perspectives can be published for transparency and co-developed in conversations with other players to invite their perspectives on a system as we discuss in the next recommendation.

**"Systems change is like a messy jigsaw puzzle: in the beginning the pieces aren't even there, you need to find them first, and then rebuild the picture many times before it makes sense."**

## O. Invest in meaningful communication

- Continue conversations above reporting
- Enable open, accessible, organic reporting formats
- Consider creative ways of learning and sharing knowledge

### What is the right balance of being involved versus removed?

To account for the bigger picture and honour the nuances of these metrics and measures, they are best embedded in a more regular strategic dialogue sitting above any reporting. Decide together on the format and frequency of exchange that works best for both parties. Where reports are part of the dialogue, consider accessible, organic formats such as short progress/learning briefs, letters, or blogs. Where there is a significant amount of trust and shared learning happening organically already, formal reporting may not be needed and can release time for the fundee.

**"If the fundee is seriously offering up learning, it has been a good investment. If they are not serious about it and they are not sharing it, that's a reason to not fund. Focus on learning organisations, allow them to fail and make mistakes, and support them in sharing the good and the bad so the learnings don't stay isolated."**

The benefit of simple public formats like a blog or bulletin are their accessibility not just to funders but also to others in the field. This enables faster, wider learning and presents a source of accountability through openness and transparency as well. Of course, this may not be suitable for all types of work, but it is an invitation to think creatively about how to best share learnings to make sure they are indeed taken up by others. Reports unfortunately aren't read enough (well done for reading this one!).

**"We have been blogging for ten years about the work, it's not just a separate exercise but a way of recording what has been done and capturing knowledge – we even go back ourselves to look something up. It's also how one of our main funders found us and how they keep learning with us."**

In this way, accountability becomes the ability to provide a meaningful account by sharing what has happened through holistic qualitative and quantitative learnings, rather than just counting a limited set of metrics. However, it is not much help of course, if fundees lack resources for measuring and for acting on insights because their funding is restricted and not supporting their core. More on that next.

**"Nobody holds us more accountable than ourselves."**

## 5 Strengthen their Team

**P. Invest in creativity and learning**

- Encourage creativity, imagination, innovation
- Provide space for proactive testing and exploring
- Enable flexibility to jump on emerging opportunities
- Support communication and coordination for sharing knowledge

**Are you enabling the team to be proactive and not reactive? Do they have breathing space?**

Since systems work requires a significant amount of experimentation, adaptation, and knowledge sharing as discussed in previous sections, organisations need to have the capacity to engage in these activities not as an irregular by-product in between project cycles or in their extra time but as a core part of their work.

**"R&D departments invest great amounts in testing, we don't have that luxury because every cent needs to be invested in keeping us going and delivering."**

Without this capacity at the core and never any slack in the resources, it becomes very difficult to be proactive rather than reactive, to make significant advances in the work, and to genuinely grow impact. Only once there is some breathing space to be creative, reflective, and to make use of emerging opportunities, can organisations begin to unlock their full potential.

**"Systemic funders aren't purchasing pre-packaged solutions but organisation's capacity to learn, adapt, and contribute to the wider field."**

A lot of knowledge sharing and relationship building with the wider system happens at conferences and other types of events. The problem is of course that they cost time and money, sometimes quite significant amounts for larger conferences, which especially smaller organisations struggle to afford without additional financing.

To actively and effectively share knowledge, it also takes capacity and expertise for communication and coordination. Even more so, if not only knowledge sharing but also active collaboration is involved in spreading and implementing a model.

**Q. Invest in talent development and retention**

- Allow for more competitive salaries
- Highlight importance of wellbeing and support accordingly
- Support team and systemic leadership development
- Define efficiency (not to be confused with overhead costs)

**Are you investing in people and in developing their full power for changemaking? Are people positively motivated? Are people valued and rewarded accordingly?**

A major challenge teams face to deliver a long-term, systemic vision, relates to their ability to pay for and retain their talent. Salaries and wellbeing are generally low, with social entrepreneurs having some of the highest burnout and divorce rates. A first step is to allow for more competitive salaries but further change, including in the wider culture and mindsets of the social sector is needed to support this challenging work more effectively.

Wellbeing sits at the basis of sustaining long-term commitment not just through physical and mental health but also by helping the work be driven from a positive place. The state of the intervener defines the intervention and thus it matters whether openness and resilience are at the heart of it or frustration, anger, and fear. Leaders and their teams should be encouraged and supported to take time for team building, reflection, retreats, and holidays.

## "System change is a marathon, not a sprint."

Similarly, investments in team culture, leadership development, overall organisational health, measurement and knowledge systems, and other core costs can be transformative. Especially trainings in, for example, system analysis, systemic strategy frameworks, collective impact, systemic leadership, facilitation, conflict resolution, and collaborative ways of organising internally and externally are of course very applicable for systems work where the relevant tools and frameworks go beyond standard strategy and leadership models.

This is particularly true for effective collaboration and collective impact processes which are often underestimated in terms of the frameworks and capabilities needed to make them work well and achieve their full collective power. Similarly, engaging in policy processes, especially on an international level, require their very own expertise. Connections to others with relevant experience can be very helpful.

It should probably go without saying but might be worth a brief reminder that these principles and needs of systems work stand in stark contrast with the traditional efficiency in overhead cost argument. Naturally, waste needs to be avoided and resources used efficiently but a clear understanding of the purpose and meaning of efficiency in this context is essential.

There is still a danger of oversimplifying impact to limited quantitative metrics when the true impact of a policy change, widespread replication of a model, a mindset shift, and similar systemic outcomes are difficult to impossible to measure, let alone attribute. It further undermines an organisation's ability to learn and deliver quality work that also improves and innovates over time in response to learnings. The most efficient investment to achieve systemic impact might very well be an awareness campaign, the back office for a backbone organisation, or two weeks of holidays.

## R. Invest relevant expertise and contacts

- Invite connections from your network
- Offer convening power for collaboration
- Offer influence for advocacy and awareness
- Make sure engagements are always driven by the fundee
- Balance between close and removed relationship

**Who would you recommend as strategic partners? Is the engagement driven by the fundee? Ask: 'What else can we offer?', 'We have this expertise or connection or opportunity, would it be useful to have a conversation about that?'**

Funders can generally offer much more than just financial value by opening doors and working together on overcoming difficult barriers. Funders can, for example, leverage their convening power, their influence for advocacy, and amplification for awareness. Brokerage to other strategic partners and donors can open significant new possibilities. Furthermore, where funders see opportunities for system change, like policy processes, they can put out specific calls for organisations to participate.

**"Funders can add great value by being generous with their check book and black book."**

At the same time, it's important for funder involvement to be fundee driven since the inherent power dynamics can quickly lead to engagements being perceived as an obligation. Matching of expertise needs to be done carefully with the fundee in full control to avoid wasting anyone's time. In particular, mentorships and other forms of engagement with the for-profit sector need to be given due attention since strategies and mindsets can be very different and not always applicable to the context of social sector professionals. If done well, however, the right expertise delivered with the appropriate level of capacity for both sides to engage can add considerable value.

As mentioned in step 2, there is also an opportunity for funders to learn and fundees are often glad to engage funders in events and experiences as appropriate to stay in touch and to learn together. Funders just need to ensure that they find the right balance between involving and removing themselves in alignment with the fundee and that time spent by the fundee on helping the funder learn is covered.

## S. Invest generously and collaboratively

- Open doors to other funding and build fundraising capacity
- Coordinate with other funders and co-invest as required
- Bridge gaps of non-systemic funding to enable long-term focus

Naturally, part of the conversation on funding systems change needs to be about the amount of resources required, not just how they are invested and used most effectively as has been the focus here so far.

The good news is that systems work is not necessarily expensive. As mentioned before, systemic teams tend to stay rather small and nimble, using resources for systemic interventions with very high leverage. There are plenty of examples of very small teams having incredible impact, from inspiring a global policy mandate by the WHO to running global movements and facilitating collaboration among dozens of governments - and these are just a few selected from the interviewees. Social entrepreneurs and other systemic innovators have shown with incredible creativity and resourcefulness what is possible with a systemic mindset and collaboration.

The bad news of course is that while they are making serious headway in tackling even deep-seated root causes of complex issues, the scale and urgency of the issues we face are immense. These efforts need to be drastically accelerated and systemic approaches replicated, supported, and incentivised in the social change ecosystem. This takes funding that comes in appropriate formats as recommended here and with a greater amount of resources as well if the goal is to truly see the work through and to fundamentally shift systems.

**"Don't see us as this year's sexy thing but join us in the fight."**

Hence, funders are encouraged to review not only how they fund but also their options for achieving greater total funding. This may be achieved to some degree by leveraging their funds to bring in other capital as suggested in the discussion of business models, and to fund the capacity of organisations to fundraise and monetise without distraction from their vision. Even small amounts to support with preparing applications for larger amounts from the same or other funders can already bring in more funds than one funder could provide alone.

Moreover, systemic funding is still in the minority and organisations are in dire need of long-term financial stability to be able to focus on systemic work. Funders should consider complementing and filling in the gaps of other non-systemic funding, such as project funding or repayable funding in hybrid models, to allow organisations to bridge funding cycles and build up a steady core.

**"Funders are holding power away from social entrepreneurs by holding money back."**

It will also take coordination of funding cycles with other funders to avoid the funding cliff edge and a pooling of resources in collective investments to reach the required amounts needed. This should happen across different types of funders as well.

**"They are a fantastic partner to work with: they were clear with signaling and helped redirect funding when it was coming to the end and offered additional funds to help with other pieces as required."**

This also implies that organisations which are struggling financially should not be put in an impossible situation where funding is denied because there is no other funding confirmed at that time. Funding for systems change work is particularly difficult to attain so especially if the organisation has a track record of learning and adapting for systemic impact, its continuity should be preserved despite the funding risk.

**"Non project funding was a dream and it also enabled further project funding. Systemic funding is a lot about filling the gaps."**

Questions have also been raised about whether there is a possibility that funders could give more. With wealth continuing to concentrate at an ever-higher rate, spending needs to keep up. Some countries like the US and Canada have differing legal requirements for how much foundations need to spend which hasn't changed, while other countries like the UK have no requirements. Given slow progress on the SDGs and the enormous scale and urgency of our challenges, this is an invitation to reconsider the role that the wealth of this world can play in fundamentally addressing them, also beyond legal requirements and current expectations.

**“As movements and organisations, we are not taking enough risks. Urgent and significant action is required but the philanthropic community is risk averse for the most part.”**

A final thought of this section goes to environmental funders, especially with an endowment. There is of course an inherent danger in attempting to rank issues. However, due to its all-encompassing global scale, overwhelming urgency, and deep connection with so many other issues, it has been argued that in the face of the climate crisis exceptional action is required and funders need to consider spending down their endowments as an emergency measure – this would be the time to do it.

**“What does philanthropy look like and mean in the age of a climate emergency?”**

## **6 Strengthen their Wider System**

### **T. Invest in representative processes**

- Model the systems, recognising you are part of them
- Have diversity as a key principle throughout all processes
- Actively build your pipeline and be aware of language
- Review power structures in decision making processes
- Empower beneficiaries and inspire changemaking
- Co-produce funding strategies and decisions

**Can you identify the organisations in the field?  
Are your funding processes truly inclusive?**

Funders and funding always have some degree of influence on the systems they are part of and engage with, whether directly or indirectly. This is of course also true for fundees as well as any other actor. However, funders do present particularly powerful nodes in a system and therefore carry a particular responsibility to be accountable to the systems they have an effect on. If the goal is to build truly better systems, then the intervention needs to model the desired system and behaviour.

**“You don't just fund system change; system change is not something someone else does but you do it as well.”**

It begins with an awareness of the different kinds of influences funders have, their role in the wider ecosystem, and how their current behaviour is shaping it intentionally or not. This determines how behaviour might be adapted to model the desired system and to change it by deliberately leveraging both funding and other influences.

**“The process of funding is as important as the funding itself.”**

As with fundees, systems thinking, and relevant tools or frameworks can help explore this systemic role in more detail and inform decisions and behaviour. In the same way that fundees engage the voice and leadership of their users in different ways, funders need to do the same with their users – the fundees. Strategic and funding decisions should not be done in isolation but co-designed with fundees and other representatives of the respective system as appropriate. Funders likely have to review their internal decision-making process as well, especially if it is concentrated around only one person or a limited number of people with little connection to the issue in question.

**“It's not just about mapping out the system and then picking out solutions in a mechanistic way, the process of applying systems thinking tools is as important as applying them.”**

In the same vein, the process of systemic analysis needs to be dynamic just like the system itself. There is not a certain level of abstraction or detail where the process is over, and a final answer is found. Instead, it is about an ongoing process of building consensus around the key elements and priorities of a system based on input from its different perspectives.

In this way, consultations and participative processes, like collective impact processes designed specifically in a representative way, can build accountability into funding decisions and help funders model the system.

**“The teams that are at the heart of a system change also need to be at the heart of the funding decisions.”**

To start the participative process, engage previously identified systemic leaders as described in step 1. They should be modeling the above behaviour already, know the system and those engaged in changing it very well, and can facilitate them in a representative group to co-design the funding criteria and strategy. Alternatively, if not enough systemic leaders have been identified yet, it can help to focus on a place and follow relationships of trust to find them or to potentially invite otherwise trusted people into this role. They might have been hindered by a non-collaborative, siloed ecosystem from developing this role so far despite their commitment to systems change and interest to step into such a role.

**“Diversity means not just being around one table but having inclusive, transparent, accountable processes.”**

Finding systemic leaders and building inclusive, representative processes requires a deliberate, proactive approach to developing funding pipelines. This includes meeting potential fundees where they are and being aware that they might have never considered or felt in a position to apply or be involved. They might also not use the above language to describe their work. Especially in an international context, it is essential to be aware of culturally very different approaches to applications and to design application processes accordingly.

**“Diversity should be a value and guiding principle not criteria. Trust people and stay away from tokenistic projects that tick boxes.”**

**“Do ask us if we have a diversity or climate policy. It makes us think about the policies we have already developed and keeps them front of mind.”**

When engaging beneficiaries, care needs to be given to the fact that involving them can be a form of further institutionalisation. Simple criteria such as having service users on the board of an organisation are therefore an oversimplification with potentially negative effects. Instead, use active listening, action inquiries, and other dedicated methodologies to facilitate groups of users into a design or strategy process at regular intervals.

**“Involving service users long term keeps that identity engrained longer when they don’t even have to adopt the label of being a service user.”**

Generally speaking, system changes are more powerful, the more power is given to those affected by the issue. It creates resilience by improving a system’s ability to improve itself. System change approaches should certainly not be reduced to the idea of policy changes or advocacy by those with existing systemic influence. Systemic strategies need to include the voices of beneficiaries and strengthen their position and power in the system. Similar to system stewards, their influence helps systems become resilient. This makes strategies which build widespread changemaking capabilities particularly powerful.

**“For real system change to happen, you need to have the system in the room.”**

All the same principles need to be considered on an international level as well to, for instance, start reversing the immense imbalance of only 1% of global aid going to organisations in the global south. Especially in the international aid and development context, not only funders but also key intermediaries such as major consulting firms need to review their role in perpetuating this imbalance.

**“System change has to be all inclusive and create momentum for everyone.”**

## U. Invest in collective power

- Build collaborative portfolios of a range of solutions
- Invite and incentivise systemic approaches
- Convene systemic leaders and resource collaboration
- Support coordinating body to formalise collaboration
- Be accountable through a collective impact approach

**Who else do you need to fund to make the work successful? How can you engage and support the wider system to change?**

Building on systemic funding processes, further opportunities to support fundees in their systems change efforts arise in the form of collaboration and collective impact. Given the nature of systemic leaders, they very much recognise the many other solutions that exist to an issue and the need for them to succeed as well.

**“We want to work in portfolios, living the values of collaboration. It’s not about me and I’m here alone but I want to partner up with others.”**

Systemic leaders actively engage with others and focus on building an entire field of solutions rather than just their own. Funders can adopt this approach to support fundees in a way that allows their total impact to be greater than the sum of its parts.

**“Find the passionate, committed system changers who want to do something, and encourage others to adopt a system change approach and to join in.”**

Funders can start with the systemic leaders identified and encourage other current and potential fundees to adopt a systemic perspective in their work as well. This can also be done together with other funders in a collectivised application and mapping process. With their influential role, funders have an opportunity to nudge and support organisations to be systemic and collaborative.

**“Help practitioners see they are part of something bigger and understand where they sit and how it fits with others. That would enable them to breathe and focus more on the contribution they are making to the system and it would become their agenda, rather than isolating themselves.”**

Collaboration can take a variety of formats and should of course not be simply pursued for its own sake but for a clear purpose. It can range anywhere from a loose, informal engagement for occasionally sharing best practices; to regular, committed engagements for aligning service offerings and shared indicators; to highly focused, formal engagements for leveraging the collective power of a coalition for greater influence on, for instance, policy makers or other major players in a system.

**“Funders need to support whole categories of interventions together.”**

The shared vision needs to emerge from the group with fundees at the heart. Initially, this might be a smaller group to build a basic level of trust and the momentum needed to get started but eventually it should involve a wider group from across the system for diverse, representative perspectives and accountability.

**“Take a deep look at what we all have together, truly linking us up and bringing people together for collective impact.”**

Such collective impact processes are challenging but can be incredibly powerful if executed well. Suitable forms of leadership and effective facilitation play a key role here. While it all starts with having people in one room, it is generally insufficient for effective collaboration to emerge. Participants need to show up as systemic leaders, know about key models and processes of collaboration, and be prepared to partially let go of their own priorities so the group can arrive at a shared vision.

**“It’s not enough to just put people in a room. Collaboration needs leadership.”**

To be able to find the necessary common ground and meaningfully engage in effective collaboration, fundees need to get partially out of their own work and be resourced to do so. At the moment, it is largely fundees who spend their own money on collaboration while also competing with each other on the same funds. The time it takes to set up effective collaboration mechanisms depends on how aligned and close to each other the participants already are, but it can easily take 1-2 years.

Funders can support these processes in several ways by, for instance, helping initiate and host the first gatherings together with the identified systemic leaders. Their convening power can also help bring in other players from across the system who might be critical for the collective impact effort. Funders need to be careful, however, that their power doesn't distort the process and undermines collaborative attitudes. It can be best to leave the facilitation to fundees where there is systemic leadership or to invite an external facilitator and to support from the background.

In the next stage, when the group has formalised around a shared vision, whether as an informal anchor group or more formal body like a shared center for change, the support required depends on the selected strategies to achieve its purpose. It might include the collection of data and developing shared indicators for the group and the wider field, setting up and administering a shared long-term fund for further investments in the field, and collectively influencing other key stakeholders.

**“The stumbling block is coordination: demand versus supply, sharing information, and more. Understanding the push or pull buttons that make them change is key.”**

Collective impact is often most effective if supported by an umbrella or backbone organisation which can be resourced to provide ongoing support to the group with coordination and facilitation of meetings, tracking of milestones and keeping the group accountable, research and evaluation, knowledge management, fundraising, external communication and relationships, and more.

## V. Invest in system wide learning

- Create awareness of the wider space and its solutions
- Help share new findings and best practices
- Replicate learnings with careful adaptation to their context
- Track sector improvement and steer towards better outcomes
- Learn together with the system and engage system assemblies in informing decisions
- Fund also early stage ideas for nurturing innovation and leadership

**How are you helping others learn? How are you engaging, informing, and influencing other resources and systems rather than creating isolated impact?**

Part of strengthening a whole field includes effective knowledge sharing and a sense of common definitions of success. Rather than creating independent pools of knowledge, it should be shared so learnings and best practices spread. While testing, failing, learning, and adapting are essential, what works at any given time needs to be known and available for replication to have a wider impact. In addition, where a field can agree on and together measure a set of shared indicators and principles, learnings can spread even faster, collaboration is incentivised, and the different actors are more likely to be aligned and collectively impactful overall.

**“Great funders have pointed us to others and vice versa as best practice examples.”**

Funders can play a role in building the capacity, relationships, and awareness needed for an effective learning ecosystem. They can also incentivise sector and, where applicable, cross-sector best practices in their own funding by tracking and recommending certain behaviours in their application process.

**“System change also means it's not stuck in the system it's developed in.”**

Examples where funders are incentivising behaviour to a degree already, but further support is needed according to available best practices, include: user-driven design and evaluation, strengths based services, unlocking changemaking in communities, awareness of and engagement with other actors and solutions in the field, and avoiding secondary systems, among others.

**“Funders need to help steer the sector towards better outcomes.”**

Funders can provide further visibility of the health of a sector by scoring proposals over time and plotting their quality to understand whether it increases relative to the principles set by the sector. Of course, care needs to be given that any replication of learnings considers the unique characteristics of the contexts they were developed in and are brought to. Hence, it is even more important that best practices and indicators are co-developed with fundees and their wider system.

**“Conversations and actions are too often happening in silos.”**

Like collective impact processes, collective learning can start with those showing an initial interest and convening them in a first, simple gathering to establish interest, shared priorities, and potential leadership. This can take place across geographies and lead to interesting insights on contextual differences as well. Funders can distill and share any existing lessons and support with coordination and communication, including formats as simple as a mapping or one-pager of each of their fundees to spread awareness of their wider field.

**“Comms and events are often saved on, but they are really important.”**

Such shared learning groups can work closely with funders on informing strategic and funding decisions. Like a citizen assembly, a ‘system assembly’ can be a way of consulting with and modeling the wider system for each issue or field. In addition, they can form into central entities of change as described in the collective impact process above and become a mobilising point for shared action. Given appropriate resources, they can take over tasks such as research and convening while working alongside the funder or several funders.

While the recommendations here have focused on building long-term relationships with systemic organisations, in line with knowledge development and strengthening a field, funders are encouraged to continue supporting early stage ideas and organisations as innovation and leadership development for the field.

**“Early stage organisations might be less bang for your buck in the moment, but you are investing in the future of the sector and its leaders.”**

## **W. Invest with all your influence aligned**

- Account for the effects of endowments and investment returns
- Be aware of your own biases
- Consider the role and impact of government and strengthen democratic institutions and processes

This step started with a reminder of how funders are connected to the systems they engage with. In addition, funders are generally influential actors in the wider social system including economic and political systems. While we have been concerned with funding dedicated for social impact so far, many types of funders also control other significant amounts of value which have positive or negative effects on these systems. Foundations control endowments, investors control the returns of their social investments and other investments they may have made, corporations control value transactions through their operations, and more.

For funders to truly see a problem through and commit to building fundamentally better systems, it is essential to review and be clear about how other values and influences under their control may be supporting or hindering the change they support, even if that change is systemic, and how they are indirectly affecting other issue areas as well. Systems thinking and mapping applied by funders to their own role, influence, and environment can help with clarifying these links to inform appropriate actions.

Fortunately, many foundations and social investors naturally align all their investment decisions and behaviours with the change they support or are certainly careful to avoid any negative effects. Concepts like Equity for Good have taken this a step further and invited investors into a shared agreement that any returns are to be invested back into the social economy.

System change is often about strengthening existing systems and building capacity in them, all the way from single institutions to entire communities embracing their changemaking power. Opinions may be divided about the optimal size of our governments, but the fact is that by far the greater impact is delivered through governments whether in the form of education, healthcare, social security, safety, justice, and more. In the UK, for instance, all forms of private giving combined, whether through direct cash, foundations, or else, amount to only about two and half percent of government spending.

Consequently, any system changer must at some point and in some way consider, engage with, or help improve the work of government. Similarly, funders need to be aware of how their other influences are affecting government, whether that relates to simply paying tax or supporting certain interest groups with more complex effects on the effectiveness of democratic institutions.

The accountability connected to democratic processes as a way for society to prioritise and make decisions is a reminder for funders and the wider sector that operating outside of these processes requires behaviours that model similar forms of accountability, such as the representative collective impact processes discussed earlier.

**“Anything that is trying to hide the role of the state and undermining it in democratic societies is likely on a wrong, possibly counterproductive path.”**

Other questions about the role of funders in perpetuating certain issues can relate to biases towards issues that are more visible or closer to the funder which can leave other key issues behind. Similarly, while some funders are open to funding work that possibly questions the systems their material success was built on, others may not. Lastly, funders need to consider how historic behaviour may have concentrated wealth in a way that keeps systems from fundamentally changing still today.

**“Philanthropy is not a substitute for justice and democratic institutions.”**

## 7 Invest in yourself and the Funding System

### X. Invest in your team

- Build up relevant skills and knowledge for systemic work
- Have conversations and learn with fundees in a balanced way
- Hire relevant experience and external expertise as required
- Retain staff for long-term relationships
- Empower frontline staff in decision making
- Align internal decision making and incentives

In the same way that fundees recommend investing in the learning, creativity, imagination, talent, retention, professional development, and wellbeing of their teams, funders are equally encouraged to invest in themselves in these ways.

In the context of systemic work and its unique characteristics, this is of course especially true for relevant skills and knowledge such as system change strategy frameworks, collective impact processes, collaboration models, facilitation skills for collaboration and inclusion, and systemic leadership development to, among others, be able to hold diversity, polarities, and tensions.

With knowledge sharing, network coordination, and possibly advocacy playing key roles, further capacity in research and communication is likely helpful. Some strategies like influencing policy typically require further specialist knowledge. It is also important to consider that the visionary work of system change can require advanced imagination, creativity, and empathy to fully understand.

**“Funders need to invest into active listeners who really listen and try to understand.”**

Funders are encouraged to have conversations with fundees and to spend time in the field to engage deeply, of course keeping in mind that if their learning requires time of the fundee that it might need to be covered. How much funders involve themselves is best discussed with the fundee to find a balanced approach that works best for both sides. In some cases, close involvement might be of tremendous help, in other cases the fundee might need all the time they can have.

**“Proposals are largely a binary yes or no and not a conversation. If they were, the knowledge of program officers would go up.”**

Ideally of course, fund managers and their staff have a background working in the relevant field or a related role. Where required, investment in external expertise may be needed when the field, solutions, or strategies of the fundee are particularly complex or otherwise outside of the expertise of the funder.

**“Any system that ends up with a group of generalists making a decision about specialized topics will produce eccentricities and oddities, especially when an added complexity of system change is introduced.”**

Moreover, the long-term nature of systems change and need for strong, lasting relationships make talent retention vital on both sides. With any change in staff, part of the relationship, trust, and knowledge built up over time gets lost and the hard work of returning it to the same level as before needs to be start over.

Many of the above recommended behaviours are easier for smaller funders. Hence, funders in general, but in particular larger funders, should consider giving their frontline staff more responsibility and decision-making power.

This is also a reminder to review internal decision-making processes and incentives in alignment with systemic work, including diversity and accountability. Funders need to continue the focus on genuine learning in their own organisations and ensure their incentives do not undermine open, honest internal communication which extends beyond just successes also into relevant challenges and learnings.

## Y. Invest in your ongoing evolution

- Co-design your strategy with fundees at the table
- Engage fundees and other relevant experts as ongoing advisors
- Implement fundee-driven evaluation of your work
- Learn together with fundees and report back on changes

**Are you clear and open about the research and best practices your work is based on? Who is reviewing your work and holding up your mirror? How are you working with fundees to advance your work?**

Applying the same principles of user-driven evaluation and design, funders should involve their users – the fundees – more in challenging and co-designing their own decisions, strategies, policies, and processes. Fundees expressed clearly that they wish not just to be heard, including via studies like the one at hand, but to be at the table to inform and support funders in their shift towards more systemic approaches.

**“There is not enough input coming from practitioners who are on the front lines of working towards systems change, and who know best of its realities and challenges.”**

To have clarity on their wider system change ambition, systemic theory of change, and system change strategies, funders are advised to engage with relevant systemic leaders from among their fundees and the fields they are active in. These can be invited as an interested party at first and may not be involved in implementation but could form a wider advisory or support group for ongoing co-production and advice beyond individual consultations. Some processes might need to be anonymised or otherwise adapted and facilitated by an external party.

**“Avoid orthodoxies becoming entrenched, keep challenging yourself.”**

With many idealised best practices for funding systems change still missing, it is especially important to experiment and learn together with fundees and to design deliberate, meaningful collaborations to explore and build this field together. Where possible, funders should take on more risk given their privileged position while keeping fundees involved and sharing the changes they have made with their fundees and the wider funding system as a means of accountability and sector wide learning.

**“Funders need to be first movers; being the first mover as an organisation is really difficult because working differently means being funded differently and it’s a big ask to also make that work.”**

## Z. Invest in your wider funding system

- Support the funding sector's evolution towards systems change
- Take a step forward and invite others to join
- Convene and experiment together, share learnings
- Support other funders and champions
- Make use of emerging opportunities to influence the sector
- Test a range of systemic strategies, build a movement
- Reflect on your role in helping achieve systems change

**How are you helping change the funding system? How are you leaving a legacy in the wider sector?**

This last section is a call from fundees to help take what has been recommended here into the wider funding system. There are pioneering funders who have been funding systemically for a long time and already many more have adopted this approach, but a much broader movement is needed. Funders have the opportunity to influence and unlock the full potential of the funding system, and by extension the entire social innovation system, to affect fundamental change in our societies and make serious progress on our greatest challenges.

**“The beginning of the healing is to be in a room and say: we admit that we are probably not funding in the best way and that things really should change.”**

To move forward, a system change approach to shift the funding system is needed in addition to the recommended investments into funders themselves. The same principles and strategies of systems change can be applied here. The opportunities are manifold of course and need to be developed by funders together with fundees. Initial recommendations to explore for implementation or adaptation include:

**“Many fields have set principles for how the work should be done best; we should have similar principles for funding.”**

**“What does a trademark look like for funders, a badge of honour?”**

**“What might be needed is a scoring system to track and inform relevant behaviour, such as staff training, adherence to agreed principles, degree of internal reflection, and others.”**

**“Funders need to write up a constitution of commitment.”**

**“Apply to each other anonymously, like a mystery shopper, to empathise with the process and help each other learn.”**

**“The biggest indication that you are serious about doing things better is if you pay for being criticized.”**

**“A funder consortium should throw in 2 million a year to fund a central body for accountability and shared learning.”**

**“Perhaps a kind of marriage bureau to help match systemic organisations with systemic funders.”**

More work needs to be done to accelerate this major shift which without adoubt will take time to accomplish but cannot wait. It likely needs also a broader dialogue and a shift in mindset and self-perception of the social sector on how fundamental, sustainable change can and does happen, and how to strengthen its role in bringing this change about.

**“Simply the lack of language for new concepts shows how much more work needs to be done, for example, delivery organisations are not just delivery organisations.”**

Some further potential starting points are suggested below:

**“Start with a few funders who agree that it is a problem worth investigating, find 10-15 people to convene in a session from across the sector and geographies in a closed forum with Chatham House rules, have a very open conversation about what problems does everyone agree exist and what measures can be taken to rectify them, then turn these into a manifesto. Follow up with research and interviews to try to understand the scale of the problem, get views from program offices, critics and champions, innovators and innovation hubs, etc. Then pull in everyone else.”**

**“Could there be a masterclass on how to do this? A communications piece is also needed to get the message out in strategic, accessible ways to anyone who is interested. Identify the change agents who are ready to champion new approaches in their organisations, helping their organisations learn, and contributing to the shared knowledge.”**

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# Reflections:

## Potential next steps for advancing the field of funding systems change

Step 7 of the recommendations already explores a range of potential next steps as suggested by fundees, so we only include a few **additional reflections from our perspective** of conducting this work and engaging in further conversations.

One of the next steps as outlined by the initial informal roundtable and confirmed by conversations with other funders suggests an interest in **understanding more deeply the internal change processes that enabled funders to shift towards a systems change approach**. While there is a growing amount of research into best practices of funding systems change, the journeys of funders and their stories of change haven't been covered as much and likely offer further practical learnings.

Within the recommendations of this guide, plenty **more opportunities for research can be found in the context of systems change** including, but not limited to, inclusive funding and facilitation processes, characteristics and identification of systemic leaders, collective impact and collaboration processes, distributed organisational and decision making models, internal performance management, open learning systems, developing a learning culture and communities of practice, shared funding data and transparency, systemic impact measurement, large-scale evaluation of effectiveness of different systemic strategies, systemic corporate responsibility, chronically unfunded types of systemic work, and more.

In addition to surfacing new learnings, it will be essential to also **support existing and emerging learnings in being shared and adopted more widely**. Different platforms and events on funding systems change exist already, often with a focus on a specific issue area or funder segment, so new work should either support these in growing further or complement and fill gaps where needed through, for instance, online courses, in-person trainings, practical toolkits and frameworks, conferences, regular learning exchanges, online communities, and other channels, potentially delivered collaboratively by a diverse collective of organisations pioneering the field of funding systems change.

In any case, to collectively strengthen and accelerate existing initiatives, to avoid duplication and silos, to thoroughly explore a concrete vision for the future of funding, to surface any major remaining systemic barriers in the funding system and implement effective solutions to shift the funding system, and to create a broad movement for systems change with system changers at its heart, **collective impact initiatives that bring the wider funding system together** will need to be a cornerstone of the shift towards an effective ecosystem for systems change.

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# Methodology:

The interviewees were invited mostly from among the Ashoka UK Fellowship, based primarily on a range of systemic strategies and funding models. In addition, several Fellows elected in other countries with funding relationships in the UK and several organisations in the UK without affiliation to Ashoka were invited as well. Close to double the number of the final 20 interviewees were contacted and self-selected into a group of 13 Ashoka UK Fellows, 1 Canadian Fellow, 1 South African Fellow, and 5 organisations without Ashoka affiliation. While the interviewees represent a wide range of issue areas, geographic spread, team sizes, and strategies, the UK focus and small sample size imply the group is not broadly representative.

The interviews lasted between 45-90 minutes and were primarily conducted via video conferencing or in person where possible. The questions first considered the systems change vision, the funding model, and degree to which the work with greatest systemic impact was funded. Next, the focus turned to experiences with funders and the factors that made those relationships supportive or limiting in the context of the systemic work. Last, the questions explored the wider funding system and its opportunities and challenges of supporting systems change, including some creative, imaginative questions. After all interviews were completed, the notes were merged in several iterations of analysing, clustering, and condensing the comments. Internal reviews took place at different stages of the process, including a review and approval by the interviewees.

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# Glossary

**Changemaker:** Someone who has the empathy to see and understand problems, the leadership and agency to act, the teamwork skills to inspire others, and the creativity to work together until the problems are solved.

**Collective impact:** The impact generated by several actors together through some form of collaboration and coordination towards a shared intention. Assumes that the same amount of impact would not have been possible by each individual collaborator acting on their own.

**Collective power:** The premise that the power of the whole that is bigger than the sum of its parts, accomplished through the cooperation of the individual parts.

**Direct impact:** The impact of an individual or organisation that is directly serving beneficiaries or addressing a problem, e.g. planting trees to address climate change.

**Indirect impact:** The impact of an individual or organisation that is only indirectly serving beneficiaries or addressing a problem by enabling another individual or organisation to have greater impact, e.g. introducing environmental industry standards or changing consumer behaviour to address climate change.

**Fundee:** The recipient of any form of funding

**Funder:** The provider of any form of funding

**Non-repayable funding:** Funding such as grants and donations that are not expected to be paid back to the funder.

**Power:** The ability to influence the behaviour of others by some degree.

**Repayable funding:** Funding such as loans and equity that are expected to be paid back to the funder, typically with some level of financial return.

**Secondary system:** A system set up separately to an existing system, either intentionally or unintentionally bypassing it. This approach needs to evaluate whether the same amount of resources can achieve greater impact if invested in improving the existing system.

**Social entrepreneurship:** Creative and entrepreneurial approaches channelled through an organisation, whether for or non-profit, to fundamentally solve a social or environmental problem.

**Social innovation:** Creative approaches to fundamentally solve a social or environmental problem.

**System:** A set of actors whose behaviours and interactions defined by formal and informal rules produce certain positive and negative outcomes.

**System assembly:** Similar to a citizen assembly, a 'system assembly' is a way of convening stakeholders from across a system to consult their perspectives.

**System(s/ic) change:** A shift in the underlying dynamics creating a problem so that they produce a better outcome themselves.

**System health:** The resilience of a system, defined by its ability to continuously maintain and improve its outcomes in the long-term.

**System steward:** An actor in the system who has the deliberate role, intention, and capacity to maintain and improve system health.

**Systemic leadership:** A form of leadership driven by a holistic, inclusive awareness of the system it is embedded in. Rather than managing the system, it focuses on empowerment, collaboration, facilitation, coordination, inclusion, adaptation, humility, and more. It has many other names, such as servant leadership or weaving. For simplicity's sake, we often refer to systemic leaders only rather than teams as well, although teams might have several systemic leaders or be considered such as a whole.

**Systemic pathways:** Potential directions a system might take in a change process.

**Unsecured loan:** A loan provided without the backing of any collateral or guarantor.

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# Resources:

Download and share the report: [lac.ashoka.org/story/seven-steps-funding-system-change](http://lac.ashoka.org/story/seven-steps-funding-system-change)

## Funding

### Reports

- [From Small to Systemic: The Multibillion-Euro Potential in Social Innovation](#), by Ashoka and McKinsey
- [A Whole New World: Funding and Commissioning in Complexity](#), by Collaborate and Newcastle University Business School
- [Scaling Solutions Toward Shifting Systems: Approaches for Impact, Approaches for Learning](#), by Rockefeller Philanthropy Advisors
- [Funding System Change: Challenges and Opportunities](#), by Social Innovation Exchange, Social Innovation Generation, Forum for the Future, and The Systems Studio
- [Evaluating Ecosystem Investments](#), by FSG

### Books

- [Social Investment Toolkit book](#) and [Social Investment Toolkit](#) online guide, by Mark Cheng, Ashoka
- [Unicorns Unite: How Nonprofits & Foundations Can Build Epic Partnerships](#), by Jane Leu, Jessamyn Shams-Lau, and Vu Le
- [Winners Take All: The Elite Charade of Changing the World](#), by Anand Giridharadas
- [Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better](#), by Rob Reich
- [Decolonizing Wealth: Indigenous Wisdom to Heal Divides and Restore Balance](#), by Edgar Villanueva

### Articles

- [A Plea to Foundations and Philanthropists to Aim for System Change, to Focus on Indirect Impact, and to Fund in a Way That Leaves Room for Learning and Adaptation](#), by Odin Mühlenbein and Laura Haverkamp, Ashoka
- [A New Donor Code of Conduct](#), by Ken Banks, Ashoka Fellow
- [Equity for Good](#), by Rob Wilson and Tristram Stuart, Ashoka Fellow

## Systems Change

### Reports

- [Global Fellows Study 2018](#), by Ashoka
- [Beyond Organizational Scale: How Social Entrepreneurs Create Systems Change](#) by Schwab Foundation and Bertha Centre
- [Understanding the Impact of Social Entrepreneurs: Ashoka's Answer to the Challenge of Measuring Effectiveness](#), by Ashoka
- [Social Power: How Civil Society Can 'Play Big' And Truly Create Change](#), by Sheila McKechnie Foundation

## Books

- [Thinking in Systems: A Primer](#), by Donella Meadows
- [Systems Thinking for Social Change: A Practical Guide to Solving Complex Problems, Avoiding Unintended Consequences, and Achieving Lasting Results](#), by David Peter Stroh

## Articles

- [How Ashoka Fellows Create Systems Change](#), by Sara Wilf, Ashoka
- [No, You Don't Need to Start a Business](#), by Bill Drayton and Michael Zakaras, Ashoka
- [Rethinking the Impact Spectrum](#), by Marina Kim, Ashoka
- [Systems Change—Big or Small?](#), by Odin Mühlenbein, Ashoka
- [Mastering System Change](#), by Christian Seelos & Johanna Mair
- [Dancing with Systems](#), by Donella Meadows

## Videos

- [Reclaiming Social Entrepreneurship](#), by Daniela Papi-Thornton
- [Systems Thinking Mindsets](#), by The Omidyar Group
- Systems Change Video Case Studies of Ashoka Fellows
  - [Karen Mattison](#), Timewise
  - [Mike Sani](#), Bite the Ballot
  - [Mark Swift](#), Wellbeing Enterprises

## Courses

- [Systems Practice: Learn to Use a Systems Thinking Approach to Move from “Impossible” to Impact](#), by +Acumen and The Omidyar Group
- [Ashoka Globalizer](#), by Ashoka
- [School of Systems Change](#), by Forum for the Future

## Tools

- [Water of Systems Change](#), by FSG
- [The 5Rs Framework in the Program Cycle](#), by USAID

## Collective Impact

- [Collaborative Approaches for Scaling Social Impact](#), by Ashoka
- [Brokering Collective System Change](#), by Child & Youth Finance International
- [Collective Impact](#), by John Kania & Mark Kramer

## Leadership

- [Answering Society's Call: A New Leadership Imperative](#), by McKinsey and Ashoka
- [Let's Bust the Lone Hero Myth: The Role of Collective Leadership in Systems Change](#), by Reem Rahman, Michela Fenech, Nadine Freeman, Kris Herbst and Dani Matielo, Ashoka
- [The Dawn of System Leadership](#), by Peter Senge
- [The Inner Path to Become a Systems Entrepreneur](#), by Katherine Milligan and Nicole Schwab

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# Notes:

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