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**STANFORD** SOCIAL INNOVATION *review*

**Leading Boldly**  
**Foundations can move past traditional**  
**approaches to create social change through**  
**imaginative – and even controversial – leadership**

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## CHALLENGES CONFRONTED BY LEADERSHIP

### Technical Problems

- Problem is well defined
- Answer is known
- Implementation is clear
- Solution can be imposed by a single organization

### Adaptive Challenges

- Challenge is complex
- Answers are not known
- Implementation requires learning
- No single entity has authority to impose solution on the other stakeholders

### Examples

- Funding scholarships
- Building hospitals
- Installing inventory controls for a foodbank
- Developing a malaria vaccine within a malaria-infected region

### Examples

- Reforming public education
- Providing affordable healthcare
- Increasing organizational effectiveness
- Achieving 80% vaccination rates

that enable people involved with complicated social issues to figure out and undertake solutions that ultimately require changes in their own ways of working. This highly results-oriented process requires one to play a clear, forceful role in keeping interested parties productively focused on the problem at hand. Adaptive leadership achieves positive change by provoking debate, encouraging new thinking, and advancing social learning. It mobilizes the parties to work *toward* a solution, rather than imposing one. The goal is to encourage shifts in mind-set and provide incentives for stakeholders to invent their own solutions.

A recent capacity-building initiative by three San Francisco Bay Area foundations – Peninsula Community Foundation, the Charles and Helen Schwab Foundation, and the Sobrato Family Foundation – provides an excellent example of this sort of funding.

Like many foundations over the past decade, these three had become increasingly aware of the importance of improving organizational effectiveness and building the capacity of nonprofit organizations. They began with a decidedly technical aspect of the problem, offering money to meet simple administrative needs like buying computers, phones, and copiers. The program was popular, and grant requests flowed in.

As they gained experience, however, the foundations realized much larger issues of organizational effectiveness were at stake. Many nonprofits also needed less tangible kinds of assistance – like leadership development and help in clarifying strategic priorities – but could not identify exactly what they were. This posed a problem since a purely responsive grantmaking model cannot work if grantees do not know what to ask for. Yet it seemed like a misuse of authority – and a recipe for failure – for the foundations to dictate the organizational-development needs of grantees. In fact, the more critical aspects of organizational capacity building demanded adaptive work, and it led the foundations to rethink their grants within a framework of adaptive leadership.

The foundations' three-year initiative was called the Organizational Capacity Grants Initiative (OCGI), and it involved joint grants from the three foundations to 16 human service agencies in the San Francisco region. The

grants were not unusually large: Every agency received \$50,000 annually for two years, and \$25,000 in the third and final year. Each agency was free to identify its own organizational priorities and determine how the funds would be spent, although the foundations required recipients to go through a planning and prioritizing process to make this decision. Rather than use their authority to determine the answer, the foundations merely outlined the process and its overall direction. "Trust the agencies" became the foundations' mantra.

Although they deliberately turned the work of setting priorities over to grantees, the foundations were far from hands-off participants in the process. Indeed, they devoted significant energy to making sure grantees learned how to improve their capacity.

A critical tool was a mandatory quarterly "learning cohort" meeting for the entire three years of the initiative, accompanied by annual retreats to provide further opportunity for reflection. The executive directors of all 16 grantees and program officers from the three foundations were required to attend all meetings. Outside experts were brought in as speakers and all participants at these gatherings were expected to share the obstacles and successes they encountered while trying to bolster their respective organizations.

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

By the end of the third year, OCGI had helped facilitate improved operations and mission accomplishment at the agencies – sometimes dramatically so. Besides strengthening management, fundraising, and the use of technology, many agencies reported a shift in thinking that significantly increased their capacity to serve clients. Two agencies agreed to merge, and all grantees reported they were more likely to examine “how they do their work,” not just “what they do,” in order to boost efficiency and effectiveness. As one agency reported, “The organization has made a major shift in how it defines success.”<sup>3</sup>

Equally important was what the foundations learned. One shifted all of its subsequent grants from programs to capacity building. Another adopted the learning cohort model as a basic part of all future initiatives. And each foundation developed a much deeper understanding of the capacity-building constraints that their grantees face.<sup>4</sup>

### Grabbing Attention

Those who lead can use a number of techniques to initiate adaptive work (sidebar, p. 30). These include focusing attention on a problem, maintaining an atmosphere of productive distress, framing the issues, and mediating conflict.<sup>5</sup> The degree of authority foundations have varies from situation to situation, influencing the way

the attention of an entire city, but other foundations have focused it on an even larger scale. Joshua Reichert, director of environmental programs at the Pew Charitable Trusts, has successfully focused national attention on targeted issues, even though his foundation has no formal authority over the constituencies it seeks to influence.

For example, Reichert played a significant role in the 1998 passage of President Clinton’s “Roadless Rule,” which protected 58.5 million acres of national forest from infringement. As reported in the *New York Times*, the campaign “was the force behind the effort that generated more than a million public comments for the rule.”<sup>6</sup> These comments provided critical backing for the U.S. Forest Service during its rule-making process.

This type of leadership is one that many with actual power would envy. In fact, in the face of Pew’s campaign, some authorities felt much less powerful than the foundation. “Pew’s environmental group is the 800-pound gorilla on environmental issues,” said Doug Crandall, staff director of the Republican-controlled House Subcommittee on Forests and Forest Health.<sup>7</sup> On the other hand, such leadership tactics may not always permit sufficient input from all the parties involved to represent truly adaptive work.

Simple technical problems tend to resolve themselves quickly with the application of money and exper-

## Adaptive leadership requires experimentation. One has to be able to deviate from the plan as learning takes place.

these techniques can be used. But in every case, they offer cogent tools for facilitating adaptive progress.

Getting people to pay attention to tough issues is the heart of adaptive leadership. This is an especially potent tactic for foundations, as they are in an unusually strong position to direct attention to specific issues through communications campaigns or merely by announcing their grantmaking intentions. Money talks, and that gives foundations – particularly when acting collectively – a powerful voice indeed.

Foundations can use their authority to hold the attention of their grantees, but they can also be highly effective at directing attention well beyond the scope of their authority. In Pittsburgh, the foundations captured

tise. Adaptive problems, on the other hand, play out very differently over time. A step forward may be followed by a step back, and the level of distress experienced by participants will fluctuate over time. Harnessing this sense of disequilibrium – and making sure it stays productive – is a critical task of adaptive leadership.

The idea is to regulate this tension so that it stimulates but does not overwhelm people engaged in adaptive work. Stress should not be eliminated altogether – that would remove the impetus for adaptive work – but rather maintained at a level that motivates change. Think of an atmosphere of productive distress as a pressure cooker. The cook regulates the pressure by turning the heat up or down, while the relief valve lets

off steam to keep the pressure within a safe limit. If the pressure goes beyond the carrying capacity of the vessel, the pressure cooker can blow up. On the other hand, with no heat nothing cooks.

A foundation's ability to create holding environments and use productive tension varies depending on the issue. The OCGI foundations found it easy to do so because they were working with grantees over which they held some authority. The foundations buffered the grantees from excessive stress through a deliberately protracted three-year time frame, regular meetings that gradually built trust, and by providing a consultant who served as a neutral intermediary between the foundations and the participating agencies. On the other hand, the foundations maintained gentle but unrelenting pressure by requiring grantees to report on their progress at regular intervals.

The Pittsburgh foundations had less control because there were so many stakeholders in the public school district. Yet they used their money, political influence, and the media to instigate and sustain a consistent level of productive distress that mobilized the city. The foundations did not merely announce that they were terminating their grants and walk away. They turned off the flow of their funds at first, but used the promise of reopening it as leverage for change. Second, they remained actively involved by helping set up and lead the mayor's commission, which served as a yearlong forum for public debate. The commission, made up of a cross-section of community representatives charged with a time-limited task, provided a useful structure to keep the distress level high but also productive. Third, the foundations devoted constant attention to the media in order to keep public interest focused on the issue. In these ways, the foundations helped sustain the pressure on the community to do adaptive work.

This takes time and patience, yet foundations often seem reluctant to embark on projects of protracted or uncertain duration. As the Pittsburgh example shows, however, adaptive work can also move fairly quickly, and a lot can happen in a year. Using a technical approach to problems that require an adaptive solution may seem like a shortcut to social change but in reality, it just wastes time.

Another important function of adaptive leadership is to frame complex issues so people can comprehend the opportunities and challenges they face. Individuals and institutions that lead must be able to identify when

an issue is ripe for public attention and corrective action. Whether it is ripe enough hinges on whether it is generating a widespread feeling of urgency. Has the issue fastened itself in people's minds? The public is more likely to pay attention to proposed solutions to a problem it is already concerned about.

Timing is everything. Had the Pittsburgh foundations halted their funding at a point when local citizens were not ready to address school deficiencies, they likely would have been roundly vilified and corrective action never would have been taken. As it turned out, government and community representatives were chomping at the bit to get involved in the schools' problems. The foundations knew the dysfunctional school board was a key roadblock to change, and they framed the issue accordingly. This provided the community with a clear and concrete step they could take – and the timing enabled the mayor's commission to prepare its report before the next school board election. The foundations' actions provided the right impetus at the right time for others in the community to come forward and begin their adaptive work.

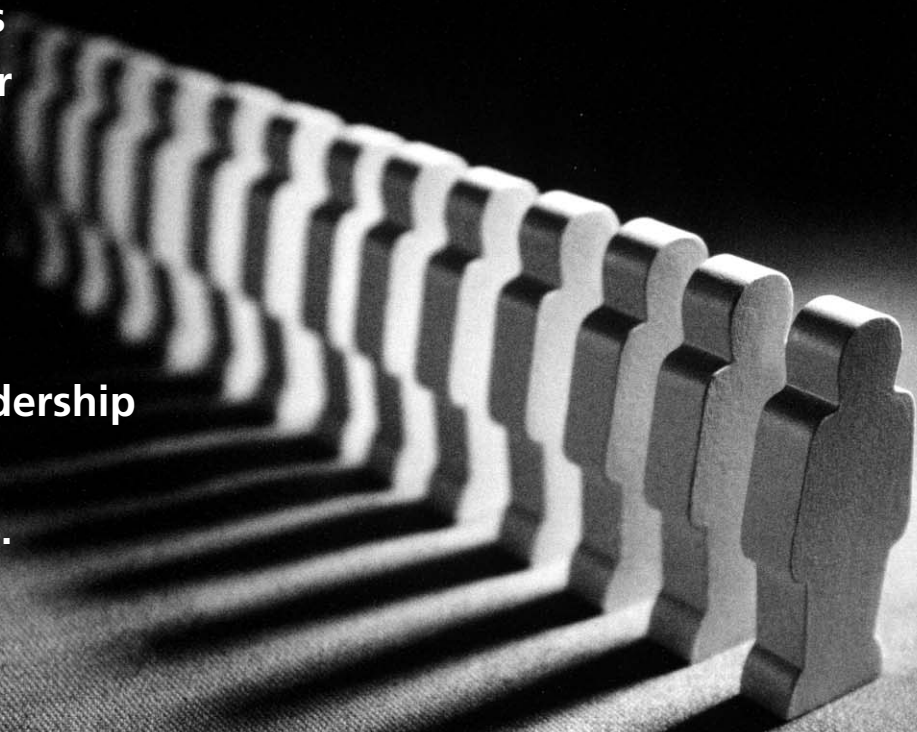
### **Courting Conflict**

By its nature, adaptive work does not often fall within established organizational and social structures. A wide variety of interest groups, organizations, and communities may hold pieces of information about the problem. Moreover, the solution may require adjustments in the attitude and behavior of many people across political, ethnic, religious, and socioeconomic boundaries. If stakeholders are excluded from defining and solving the problem, the result may be an incomplete or unworkable solution.

Adaptive leadership, therefore, plays a critical role in easing conflict among various stakeholders in a way that leads to positive change. But this is often a messy process. Those who exercise adaptive leadership must ensure that all voices – not just the loudest or most powerful – are heard. At the same time, they must regulate the conflict they have unleashed so that it doesn't get out of hand.

For foundations to lead in this manner they must become accustomed to setbacks, uncomfortable public pressures, and a time frame that tries the patience of both foundation executives and stakeholders. What's required is leadership that views controversy and conflict as allies rather than obstacles in achieving reform.

**Foundations  
can use their  
stature,  
wealth,  
knowledge,  
and access  
to exert leadership  
over a much  
larger arena.**



The notion of foundations bringing interested parties together is hardly new. Foundations frequently convene groups to discuss specific issues, but these meetings rarely result in adaptive progress. This may be partly because such gatherings are one-time events that often end inconclusively. Mediating multiparty conflict is a protracted activity that often results in sharp confrontations and painful choices.

Another difficulty with traditional foundation gatherings is the failure to include most, if not all, of the major stakeholders. For example, foundations often limit the participants to grantees or other nonprofit agencies working on an issue. But one cannot do adaptive work on an environmental issue without including industry, government, and environmental representatives, or on an educational issue without parents, teachers, union officials, and school administrators. Inviting such diverse groups is sure to trigger a much less comfortable and polite discourse, but it is this discomfort that helps spark adaptive change.

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

The Pittsburgh and OCGI foundations clearly recognized the need to pursue their objectives through a participatory decision-making process. Both sets of foundations recognized the adaptive nature of the work.

And while they clearly focused attention, framed the issues, and helped formulate solutions, they also effectively orchestrated a process that gave the work of determining the specific required actions back to the people and organizations most affected by the issues. The two groups of foundations, however, operated on very different schedules and possessed very different levels of control over stakeholders.

Given that their grantees were not facing immediate crises, the OCGI foundations deliberately designed a three-year process at the outset. This enabled the momentum for change to build slowly. Most of the conflict that took place was within the OCGI organizations themselves, as various constituencies – staff, board members, donors, and beneficiaries – wrestled with how to best allocate limited funds to improve their agency's ability to achieve its mission. And because the only issue to be resolved was the use of grant dollars, the foundations were in a strong position to specify a decision-making process the agencies had to go through in order to get their funds.

For the Pittsburgh foundations, it was essential to employ a much shorter time frame. The severity of the foundations' initial action – suspending their funding in order to rivet public attention – helped influence government and community representatives to mobilize quickly and engage the segment of the public that supported the deadlocked school board. Although their control was limited, the Pittsburgh foundations were able to help select the participants, objectives, and decision-making procedures of the mayor's task force.

Through their own participation and use of the media, they were also able to ensure that the necessary voices were heard and that the process did not spiral out of control. Their actions, however, subjected the foundations to a level of public controversy that went well beyond any normal foundation initiative.

### Taking the Heat

Most foundations have long tended to adopt a low profile and shy away from controversy. When exercising adaptive leadership over their own grantees, as with the OCGI, foundations can continue to act quietly. But when they are working to influence those beyond their control, such as legislators, voters, or other funders, a

much higher profile and media support are often required. In such cases, foundation executives will need the fortitude to withstand sometimes-intense public pressures associated with involvement in a controversial and complicated social issue. Pew, for example, is not only one of the most important participants in framing the national debate in its environmental areas of interest, it is also one of the most controversial. As Reichert notes, “If you ride the ridges, you get shot at more often than if you stay in the valleys.”<sup>8</sup> For many foundations, acutely conscious of their responsibility for careful stewardship of their donor’s good name, stirring up public political brawls may be unacceptable.

Maintaining an environment of tension in which

## Exercising Adaptive Leadership

**T**ackling complex adaptive social problems isn’t easy, and foundations may need to learn some new techniques if they are to be successful.

### Focus Attention

Getting people to pay attention to a certain issue is the first hurdle in adaptive leadership. Three Pittsburgh foundations did this by suspending nearly \$12 million in grants to the local schools – and calling a press conference to explain why. The Pew Charitable Trusts helped generate backing for President Clinton’s plan to preserve more than 58 million acres of national forest as wilderness by creating the Heritage Forests Campaign. The campaign eventually involved 600 organizations that generated 1 million public comments in support of the plan.

### Generate and Maintain Productive Distress

Adaptive problems often take a

great deal of time to resolve, with progress coming in fits and starts. The erratic pace often distresses stakeholders. The job of adaptive leadership is to not eliminate this stress – and thus reduce the impetus for adaptive solutions – but to harness it, keeping it at a level that motivates change without overwhelming participants. The Pittsburgh foundations maintained tension by suspending their grants to the public schools until a solution was found to the problem of the dysfunctional school board.

### Frame the Issues

People must be able to see that complex, multifaceted problems present opportunities as well as difficulties. After holding up their grants, the Pittsburgh foundations helped set up a special commission that spent a year studying what was wrong with the local school district. Effectively framing the issue can even result in historical antagonists finding common ground. Pew united tradition-

ally liberal conservationists with conservative Republican anglers to fight commercial fishing in sensitive marine areas by directing both groups’ attention to the upside of creating healthy marine biosystems. Adaptive leadership means determining if the time is ripe for presenting the issue to stakeholders for action. If the interested parties do not feel the problem is urgent enough, it will be difficult to mobilize them to fix it.

### Mediate Conflict Among Stakeholders

Many different people and groups may hold keys to the solutions of complex adaptive problems. But trying to get them all moving in the same direction may result in conflict across racial, cultural, or socioeconomic lines. Adaptive leadership means refereeing such conflicts before they spin out of control. To do so, one must become accustomed to setbacks, impolite dialogue, and uncomfortable public controversies.

## Foundations must employ their expertise, political access, media skills, and bold strategies, rather than just their grant dollars, to generate change.

adaptive work can be conducted also is a departure from the norm. First, it requires a time commitment that is much longer than the typical foundation grant cycle – often requiring years of sustained effort before any conclusive results are known. Throughout this period, a foundation must actively supervise the adaptive work, a demand that would tax the limited staffing of many foundations today.

Second, foundations are naturally inclined to reduce, rather than heighten, distress. Well-meaning program officers often bail out a financially troubled nonprofit or try to ameliorate an immediate crisis. Yet such short-term assistance may release the pressure that was needed for adaptive work, paradoxically enabling the grantee organization to avoid the hard learning required to become a more sustainable entity.

Adaptive leadership also calls into question traditional approaches to strategy and evaluation. Employing a strategy is often mistakenly taken to mean that a foundation must design and follow an agenda from which it cannot deviate. And evaluation is often used to test whether the foundation's initial hypothesis about the consequences of an intervention was valid, and whether the end result can be directly attributed to the foundation's funding. Each of these approaches represents a mechanistic model in which the foundation begins with a hypothetical solution, pursues it through a predetermined plan, and then looks back to see if the plan worked. But while these tools are useful in rectifying technical problems, they are ill suited to adaptive leadership.

Correctly used, strategy is a highly flexible tool. It requires neither that the answer be known at the outset nor that an agenda be rigidly adhered to. Instead, it depends on clarity of objectives, thorough research, and careful alignment of the foundation's goals, resources, and actions. Adaptive progress requires experimentation. One has to be able to alter the master plan as lessons are learned.

Similarly, evaluation should be a dynamic, forward-looking tool for measuring progress toward goals. Adaptive work must be measured through milestones of progress toward an ultimate outcome, as well as by process indicators such as more widespread understanding of the issues, a greater will to change, or new collaborations forged across old boundaries within a community. Foundations that are the most disciplined in leading adaptive work find that goal setting and evaluation are

essential parts of their approach to creating change. The OCGI foundations, for example, were very explicit in identifying goals and evaluating progress. Rather than using evaluation to grade grantees' performance, the foundations viewed it as a catalyst for learning.

Finally, adaptive leadership requires focus. It is a sharp departure from the common foundation pattern of funding hundreds of grants in multiple fields with minimal staffing and frequently changing objectives. Most foundations cannot effectively shine the spotlight of attention or sustain productive distress on more than one or two major issues at a time. The process of framing an issue should provide a broad range of community actors with both the motivation for change and the direction of that change. And that will not happen unless a foundation has done its homework and has enough expertise to communicate it in a compelling way. Money will always be central to the role that foundations play, but with any given problem a foundation's focus, skill, and experience matter more than the amount of money it invests.

Perhaps this is the biggest shift in thinking of all: If foundations are to become effective institutions of adaptive leadership, they must understand the value of employing their expertise, political access, media skills, and bold strategies, rather than just their grant dollars, to generate change in society. They should reject the artificial dichotomy between proactive and passive grantmaking, and firmly lead social change without imposing the answers. □

1 *Pittsburgh Post-Gazette*, "Foundations Yank City School Grants," July 10, 2002; "City School Funding Cutoff Provokes Calls for a Shakeup," July 11, 2002; "After Thorny Year, Foundations Roared About Schools," July 11, 2002; "Task Force Report Rips City Schools," September 23, 2003; "Schools Now at Center of Attention: Task Force Report Catches Public Eye," September 27, 2003; and "Passing Grade: Foundations Decide School Board Is Better Behaved," February 14, 2004.

2 For a more complete discussion of adaptive leadership, see Heifetz, R.A. *Leadership Without Easy Answers* (Cambridge, MA: Belknap/Harvard University Press, 1994).

3 "Building Effective Organizations: An Evaluation of the Organizational Capacity Grants Initiative (OCGI)," BTW Consultants: Jill Blaire, Ellen Irie, Melinda Moore, March 2002.

4 Interview on June 17, 2004 with Alexa Culwell of the Charles and Helen Schwab Family Foundation; Sterling Speirn of the Peninsula Community Foundation; and Lisa Sonsini of the Sobrato Family Foundation.

5 Heifetz, R.A. *Leadership Without Easy Answers*.

6 Jehl, D. "Charity Is New Force in Environmental Fight," *The New York Times*, June 28, 2001.

7 Jehl, D. "Charity Is New Force in Environmental Fight."

8 Interview on June 10, 2004 with Josh Reichert of the Pew Charitable Trusts.