Implementing Systems Change

Challenges and solutions from 14 years of practice across 3 sectors

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[i] The views and insights expressed by the authors relate to their professional experience in the development sector and do not necessarily represent the approaches and work of their past or present organizations. The authors' insights may include experiences from past partnership between FSG Inc and their respective organizations.

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I. Executive Summary

While funder enthusiasm for systems change has grown steadily over the past decade, a significant gap persists between this enthusiasm and execution. Wary of long commitment horizons, unclear attribution, and complex coordination, funders often avoid systems change approaches.

This document names and explores the challenges in implementing systems change and provides steps to navigate them. We draw on the authors' 14 years of experience implementing systems change programs in the Global South across affordable housing, early childhood education, and gender equity. **Foundation leaders (e.g., CEOs, principals, and other executives) can use this guide to implement systems change in their work**, finding entry points that align with their foundation's current capacity, constraints, and strategic objectives.

Figure 1: 9 challenges that make implementing systems change undesirable, unviable, and unfeasible

Undesirable

Difficult to...
1. Attribute outcomes to interventions
2. Predict and assure outcomes
3. Commit to interventions for years with small early outcomes

Unviable

Difficult to...
4. Align stakeholders on an objective
5. Roll out an evolving set of interventions
6. Fund or support non-conventional stakeholders

Unfeasible

Difficult to...
7. Identify the few critical barriers
8. Shift societal mindsets
9. Persuade and support companies to change practices

Systems change is undesirable for funders as it requires departing from established practices of clear accountability and measurable outcomes.

1. **Difficult to attribute outcomes to interventions:** Systems change requires working with multiple stakeholders to change their actions, behaviours, and mindsets, making it hard to attribute outcomes to a specific intervention.

2. **Difficult to predict and assure outcomes:** Success demands embracing uncertainty and experimentation rather than following predetermined roadmaps, while accepting that some interventions will fail.

3. **Difficult to commit to interventions for years with small early outcomes:** Systems change requires multi-year commitment despite small early outcomes, causing funders to abandon many promising programs before they succeed.

Systems change is unviable for funders as it requires orchestrating multiple stakeholders, managing constantly evolving interventions, and maintaining commitment despite minimal early progress.

4 **Difficult to align stakeholders on an objective:** Success depends on aligning stakeholders who have conflicting motivations and success metrics, rather than executing programs in isolation.

5 **Difficult to roll out an evolving set of interventions:** Successful interventions change the system they operate in, requiring the interventions themselves to evolve, disrupting fixed program designs and creating ongoing coordination challenges.

6 **Difficult to fund or support non-conventional stakeholders:** Systems change requires working with multiple stakeholders (e.g., for-profit companies, government agencies) that some funders may avoid due to conflicting motivations, unclear accountability structures, potential reputational risks, and concerns about subsidizing well-resourced stakeholders.

Systems change is unfeasible for funders as it demands extensive organizational capacity to uncover critical barriers, change societal mindsets, and persuade companies to change.

7 **Difficult to identify the few critical barriers:** Systems change requires digging beneath surface-level symptoms to uncover hidden, critical barriers by conducting time-consuming research, engaging with a range of stakeholders, and understanding stakeholder power dynamics.

8 **Difficult to shift societal mindsets:** Success requires transforming deeply held societal beliefs that perpetuate inequitable outcomes, and which often strongly resist change.

9 **Difficult to persuade and support companies to change practices:** Success requires supporting companies overcome multiple adoption barriers (e.g., competing business priorities, limited resources) when adopting a new or untested practice.

Leaning in

When faced with these challenges, it is understandable why many funders find themselves defaulting to patching the system rather than changing it *Figure 2.* The pressures are real: boards expect clear metrics, program timelines demand quick wins, and established processes reward predictable outcomes. These institutional realities often nudge funders toward incremental fixes, even when they recognize deeper change is needed.

Figure 2: Shift in intention needed to implement systems change

"Patch the system" mindset	"Change the system" mindset
• Prioritize short-term and predictable outcomes	• Prioritize long-term and risky outcomes
• Map and address barriers independently	• Map and address barriers collaboratively
• Repeatedly address symptoms	• Permanently address root causes
• Avoid societal mindset shift	• Shift few key mindsets
• Rely on government to influence companies	• Fund or support companies
• Evaluate cost, output, and outcomes	• Evaluate changes in behaviour also

Funders can choose to lean in and make their intent to change the system explicit. Doing so would offer the potential for permanent, transformative change that continues long after the intervention or program ends. This document provides practical steps to navigate these challenges, offering a path forward for foundations ready to move beyond incremental improvements, changing outcomes for the communities in urgent need.

II. Introduction

Despite decades of investment and countless initiatives, some of society's most pressing problems, like educational outcomes, economic inequality, and climate change, remain stubbornly resistant to progress. Systems change has the promise of more equitable and lasting impact by addressing the underlying conditions that perpetuate these problems rather than by addressing just their symptoms.

While funder enthusiasm for systems change has grown steadily over the past 10 years, a significant gap persists between this enthusiasm and execution. Funders are wary of long commitment horizons, unclear outcome attribution, and complex stakeholder coordination. These practical constraints often result in funders avoiding systems change.

This document names and explores the challenges in implementing systems change and provides steps to navigate them. These insights draw on the authors' 14 years of experience implementing systems change programs in the Global South across affordable housing, early childhood education, and gender equity. We acknowledge that our experience and perspective represent one approach among many, and these insights may not apply universally to all contexts or challenges.

Foundation leaders (e.g., CEOs, principals, and other executives) can use this guide to implement systems change in their work. Rather than requiring an all-or-nothing commitment, we share manageable steps to build capabilities over time, finding entry points that align with your foundation's current capacity, constraints, and strategic objectives.

Understanding systems change

This document provides a working definition without attempting to redefine systems change. A **system** consists of interconnected elements that work together to achieve a common purpose or outcome. **Systems change** removes the barriers that perpetuate inequitable outcomes and strengthens the conditions that drive positive outcomes. For a primer on systems change, see our recommended reading section in the appendix.

Our gender equity work in warehouse jobs in India demonstrates this approach. Women faced multiple barriers in securing these jobs, including hiring biases (e.g., "Women are unsuited for physical labour"), inadequate workplace facilities, lack of transport options, and many more. These interconnected barriers produced a common outcome – women found it harder to secure warehouse jobs than men. Our systems change approach addressed these barriers by shifting employer mindsets, designing shop floors to accommodate all genders, and enabling transport facilities. When these barriers were removed together, they produced a different outcome: a labour market where women gained more equitable access to warehouse employment opportunities. These efforts contributed to women's participation in these roles doubling from 2020 to 2025 in India.[1]

Recognizing systems change opportunities

Our experience suggests that funders may require systems change when attempting to transform outcomes permanently for a sizeable part of a population, region, or sector.

Consider a small-scale training program to boost female employment. This program achieves high placement rates by cultivating relationships with receptive employers and personally connecting candidates to these employers. However, scaling to train thousands (or millions) of women quickly exhausts this limited pool of receptive employers, creating an oversupply of qualified candidates competing for too few jobs. This leads to declining wages and placement rates that undermine the program's intended impact. Outcomes will plateau as the program encounters systemic barriers (e.g., gender biases) in the broader market beyond these receptive employers.

If funders aim to shift outcomes at scale (e.g., increasing the percentage of women in jobs from 20% to 40% in an industry), they must realistically assess if a systems change approach is required.

Applying systems change in practice

FSG uses a market-based approach to systems change in our work in the Global South. We identify and remove the barriers in the system that prevent beneficial products, services, or practices from reaching low-income households. Within these systems, we primarily support private companies to overcome barriers within and outside their organizations.[2]

Our approach never involves directly paying or subsidizing private companies. Rather, we convince these companies that new practices serve their business interests. Companies independently adopt, implement, and sustain these practices. This leads to a permanent reduction in barriers to accessing beneficial products, services, or practices.

We have applied this approach to 3 different sectors over the past 14 years: scaling the supply of affordable housing units (up to 2015), scaling access to quality early childhood education (2015-ongoing), and scaling women's participation in entry-level roles (2020-ongoing). **We share a snapshot of each of the 3 programs below and draw from them extensively in the chapters that follow.**

A) Scaling the supply of affordable housing units[3]

In 2006, the affordable housing market was not serving low-income households. Few developers built affordable housing units and housing finance companies did not offer mortgages to low-income households with cash income.

We launched a multi-year program to increase access to quality housing for low-income households. We started by mapping the barriers across the system *Figure 3*. Developers lacked a viable business model for affordable housing units, believing profit margins would be lower than other projects. Housing finance companies did not know how to credit assess low-income households with cash income (e.g., plumbers, carpenters, taxi drivers, vegetable vendors).

Our approach was to address barriers that limited the supply of affordable housing units and mortgage options for low-income households. We:

- Interviewed 1,000 low-income families to understand their home-ownership aspirations and willingness to pay. We found that contrary to popular belief, low-income households wanted to own flats and not build homes.

- Shared blueprints, business models, customer research, and marketing strategies with developers to reduce project risk.

- Convinced developers to build affordable housing units. The first 450 flats were sold within 2 weeks of launch.
- Supported housing finance companies to enter the affordable housing market by helping them credit assess low-income customers, identify developments, and connect with customers.
- Spoke at over 50 developer conferences to share the opportunity in affordable housing.
- Shared evidence and insights with the government which they acted upon.

Figure 3: Barriers to scaling the supply of affordable housing units

Firm	Value chain	Public goods	Government
• Undefined business model • Weak proposition for developers • Needs of low-income households unclear • Lack of capital	• Mortgages for low-income households unavailable • Lack of new cost-saving materials or technologies	• Lack of knowledge about society formation • Lack of standards for quality and certification of buildings • Lack of data on customer affordability, market demand, housing supply, and issues • Lack of data on product design and features preferred	• Some inhibitory laws, regulations, and procedures

Our work coincided with the efforts of other stakeholders. Many builders committed to building affordable housing units and the government launched new schemes to promote affordable housing.

These combined efforts contributed to developers building 30,500 affordable housing units from 2011 to 2013 (and more thereafter). **This success attracted new market entrants and created a sustainable market that continued expanding independently**. Multiple developers entered the affordable housing market, while housing finance companies expanded their focus on low-income customers using established credit assessment practices. By 2024, housing finance companies reached a loan portfolio of USD 12.8 bn, leading to the ownership of an estimated 720,000 affordable homes.[4]
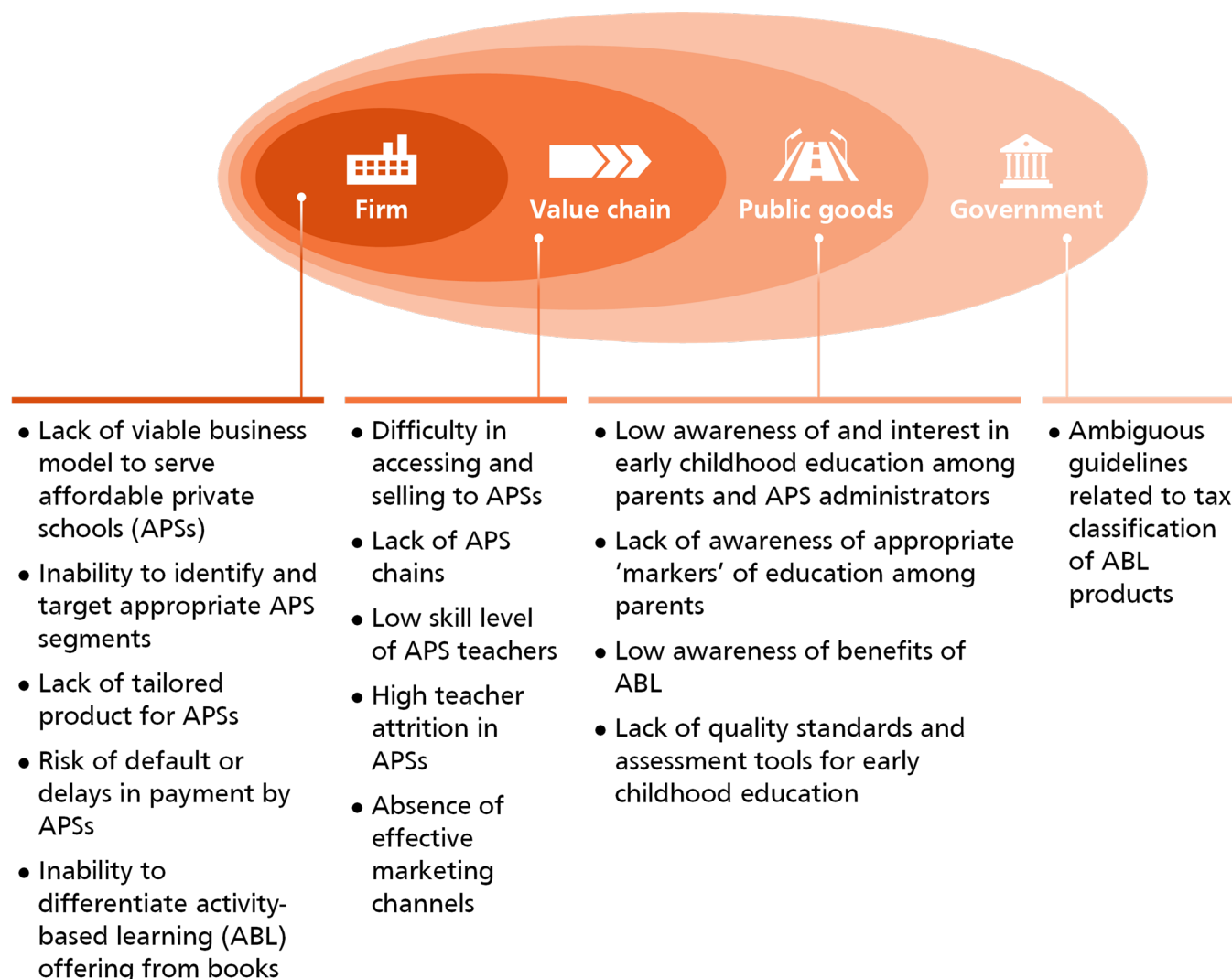
B) Scaling access to quality education[5]

In 2015, the early childhood education system presented an opportunity for reform, as children from low-income households had limited access to quality learning experiences. While schools largely

depended on rote learning, evidence highlighted the potential of activity-based learning (ABL) to deliver stronger learning outcomes.

We launched a multi-year program to shift affordable private schools from rote learning to ABL to improve learning outcomes. We started the program by mapping the barriers across the early education system *Figure 4*. We found ABL solution providers lacked fit-for-purpose products, business models, and distribution networks to serve affordable private schools. Additionally, teachers were not trained in ABL and parents evaluated schools based on visible homework and rote markers (e.g., counting from 1 to 100 in order) rather than actual learning outcomes (e.g., counting 12 objects from a stack of 20).

Figure 4: Barriers to scaling activity-based learning in affordable private schools

Firm	Value chain	Public goods	Government
• Lack of viable business model to serve affordable private schools (APSs)	• Difficulty in accessing and selling to APSs	• Low awareness of and interest in early childhood education among parents and APS administrators	• Ambiguous guidelines related to tax classification of ABL products
• Inability to identify and target appropriate APS segments	• Lack of APS chains	• Lack of awareness of appropriate 'markers' of education among parents	
• Lack of tailored product for APSs	• Low skill level of APS teachers	• Low awareness of benefits of ABL	
• Risk of default or delays in payment by APSs	• High teacher attrition in APSs	• Lack of quality standards and assessment tools for early childhood education	
• Inability to differentiate activity-based learning (ABL) offering from books	• Absence of effective marketing channels		

Our approach was to get ABL solution providers to profitably sell products to affordable private schools. We:

- Interviewed 4,400 parents of young children to understand their aspirations, challenges, and willingness to pay for early education. We shared this research with school administrators and ABL solution providers. A key finding was that parents judged a school's performance based on rote markers.[6]

- Convinced 9 ABL solution providers to adopt new practices without directly paying or subsidizing them.

To build confidence, we accompanied their sales teams from school to school, helping them win business and customize their pitch based on customer feedback.[7]

- Showed ABL solution providers how to customize products and services for affordable private schools (e.g., cheaper toy kit, reduced quality of paper).
- Shifted parent mindsets through short videos that school administrators could share with parents.[8]

Our interventions coincided with the efforts of other stakeholders. Impact investors were investing in ABL solution providers. Schools were introducing digital tools in classrooms. Government agencies were independently focusing on early education outcomes, with recommendations to incorporate ABL in school curriculums.

By 2025, these combined efforts contributed to over 1,100 affordable private schools adopting and paying for ABL, serving 170,000 children from low-income households. These schools showed an improvement in learning outcomes by 33% (compared to control schools), with just a ~6% increase in school fees.[9] **This created a sustainable, unsubsidized market for ABL**. ABL solution providers became profitable and scaled their operations, while new providers recognized the market opportunity and entered the sector.

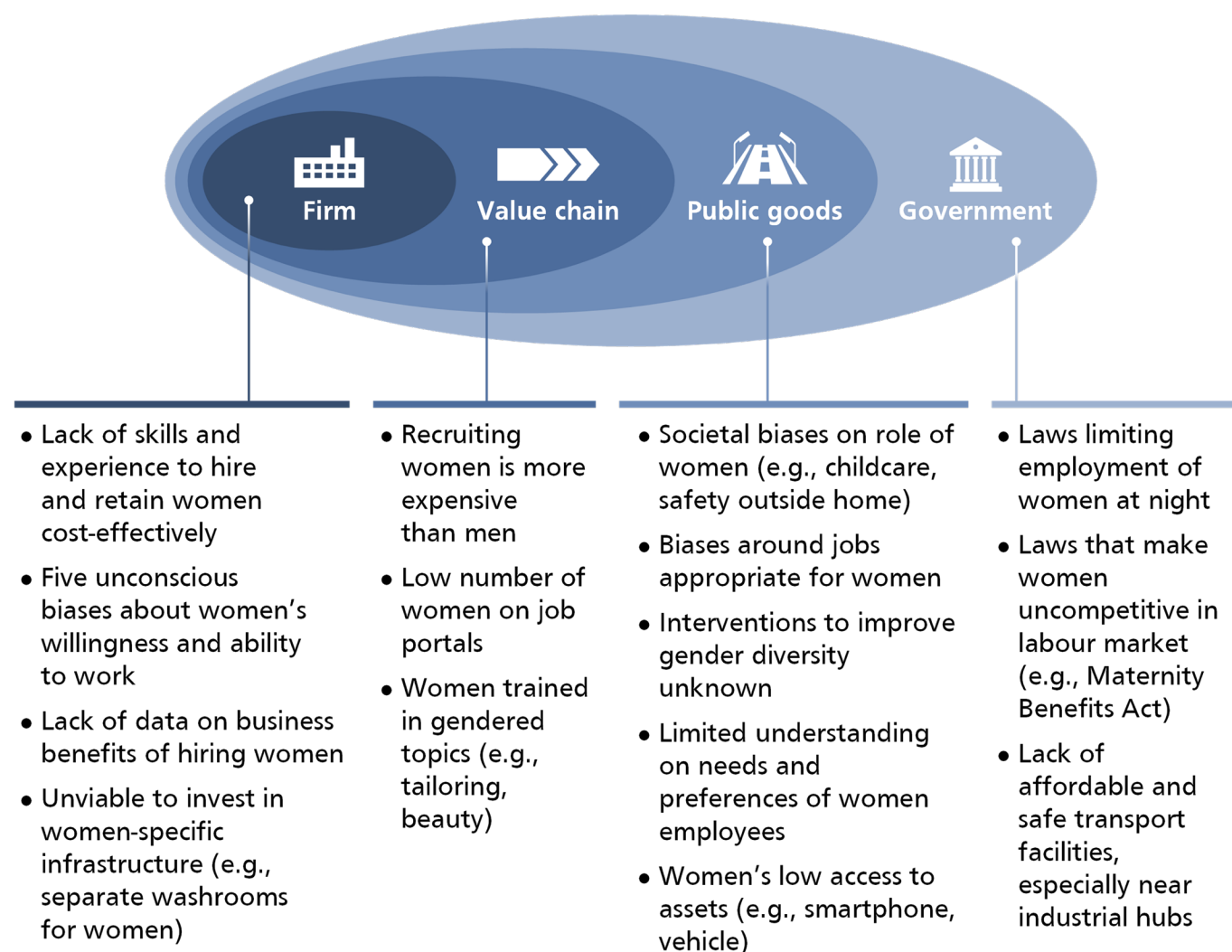## C) Scaling women's participation in entry-level roles[10]

In 2020, the entry-level roles in warehouses and some contract staffing industries were dominated by men. Few employers in these male-dominated sectors were hiring women, and existing recruitment practices systematically excluded female candidates.

We launched a multi-year program to double women's participation in entry-level roles in these industries. We started the program by mapping the barriers that prevented women from accessing jobs *Figure 5*. Recruiters had optimized their entire hiring process to find male candidates, with networks including 1,000-2,000 male candidates but fewer than 50 female candidates. Hiring managers screened out female applicants based on biased assumptions about working hours ("Women will not work after 7 p.m."), tenure ("Women quit after 6 months to get married"), and role suitability ("Women do not want warehouse jobs"). Some government policies to protect women had the unintended consequence of making women more expensive to hire than men (e.g., limit on work hours, workplace safety requirements, maternity leave but no paternity leave).

Our approach was to address the barriers that limited women's access to these entry-level roles. We:

- Interviewed over 6,600 women from low-income households to understand their aspirations and employment preferences and shared findings with employers. Contrary to prevailing beliefs, 2 in 3 women preferred jobs to entrepreneurship and 1 in 2 women wanted to work.[11]
- Convinced 20 companies to pilot interventions to hire women. Within these companies, we helped leadership set diversity goals, operations managers identify less biased roles, and recruiting staff build capacity through training.[12]
- Demonstrated the business benefit of gender diversity, showing that hiring women leads to ~11.8% cost savings due to higher productivity and longer tenures.[13]
- Disseminated findings to 100+ stakeholders every 6 months.
- Shared 17 insights with government agencies.[14]

Figure 5: Barriers to scaling women's access to entry-level roles

| Firm | Value chain | Public goods | Government |

- Lack of skills and experience to hire and retain women cost-effectively
- Five unconscious biases about women's willingness and ability to work
- Lack of data on business benefits of hiring women
- Unviable to invest in women-specific infrastructure (e.g., separate washrooms for women)

- Recruiting women is more expensive than men
- Low number of women on job portals
- Women trained in gendered topics (e.g., tailoring, beauty)

- Societal biases on role of women (e.g., childcare, safety outside home)
- Biases around jobs appropriate for women
- Interventions to improve gender diversity unknown
- Limited understanding on needs and preferences of women employees
- Women's low access to assets (e.g., smartphone, vehicle)

- Laws limiting employment of women at night
- Laws that make women uncompetitive in labour market (e.g., Maternity Benefits Act)
- Lack of affordable and safe transport facilities, especially near industrial hubs

Our interventions coincided with the efforts of multiple other stakeholders. Large employers were starting campaigns to increase diversity in their workplaces, customers were becoming conscious of brands' diversity practices, funders were promoting the education of girls and the skilling of young women, and the government launched new gender diversity disclosures for publicly traded companies.

These combined efforts contributed to doubling women's participation in two sectors (from ~121,000 to ~274,000 women) over five years, based on government data and industry association reports.[1] **Critically, we did not pay companies to adopt new practices**. Rather, they adopted and sustained new hiring practices after seeing the business benefits. The companies we supported maintained their gender diversity goals and continued expanding their female workforce without external support, while other employers independently adopted similar practices.

While these outcomes demonstrate systems change's potential, the path to achieving them was far from straightforward. One program pivoted from standalone learning centres to kindergarten programs within schools, multiple interventions failed, and setbacks were frequent. **What follows are the nine challenges we encountered, along with practical steps to navigate them**.

III. Making Systems Change Desirable

Systems change strains funders' fiduciary duties that demand clear accountability and measurable outcomes. Success requires abandoning attribution of outcomes, embracing uncertainty and experimentation, and maintaining commitment despite minimal early progress. This structural mismatch can make systems change institutionally undesirable for funders.

Figure 6: Challenges that make systems change undesirable

Difficult to...
1. Attribute outcomes to interventions
2. Predict and assure outcomes
3. Commit to interventions for years with small early outcomes

1 Difficult to attribute outcomes to interventions

Systems change requires working with multiple stakeholders to change their actions, behaviors, and mindsets, making it difficult to attribute the outcomes to a particular intervention. This undermines the ability to satisfy reporting requirements and identify high-impact interventions.

Challenge: In our affordable housing work, we could not measure the outcomes of our interventions. We implemented multiple interventions, including presenting blueprints and business models at over 50 conferences, sharing evidence and insights with government agencies, and connecting housing finance companies with potential customers. Some stakeholders changed their behaviour. Developers started building affordable housing units, government agencies acted on insights and evidence we provided, and housing finance companies began approving mortgages to low-income households earning cash income. The outcome was that developers built 30,500 affordable housing units from 2011 to 2013, and housing finance companies had a mortgage portfolio of USD $12.8 bn by 2024.[4] Did all the developers enter the market because of us? Did the government act on the evidence we provided?

Solution: We addressed this by tracking direct attribution, behaviour shifts, and system level outcomes. We measured direct attribution for developers who we directly supported. For the broader market, we measured behaviour shifts of developers we guided through business models, customer research, or site visits. Finally, measured system-level outcomes through industry reports and government policy adoption.

Challenge: In our gender equity work, we found it difficult to isolate the outcomes of our interventions from broader market shifts. We implemented multiple interventions, including directly supporting five large warehouse companies to adopt new hiring practices and distributing best practices to 40 additional companies. The outcome was that women's participation in the sector doubled over the next five years.[1] However, other stakeholders were also influencing these companies. The government introduced new gender disclosure requirements for large companies, other funders deployed their own interventions (e.g., training women), and media coverage of gender diversity increased. We could not separate the outcomes of

our interventions from these broader market shifts.

Solution: We tracked changes in behaviours and outcomes instead of tracing impact back to our interventions. We monitored the behaviours of companies we directly supported, such as interventions they piloted, the policies they changed, and their quarterly female employment numbers. For system-wide outcomes, we tracked female employment data through government data and industry association reports. Tracking these metrics helped us see early indicators of change in partner companies and monitor progress toward our desired outcome (i.e., number of women in jobs).

Without clear attribution, funders struggle to prove their interventions work. Systems change requires tracking direct attribution, changes in stakeholder behaviour, and system-level outcomes. This tracking enables funders to demonstrate progress and communicate success credibly.

> **Steps for funders to move from attribution to contribution**
>
> 1. Define 1-2 outcomes.
>
> 2. Track interventions, stakeholder behaviour, and outcomes.
>
> 3. Allocate some funds for non-attributable interventions.

2 **Difficult to predict or assure outcomes**

Systems change requires embracing uncertainty and experimentation, rather than following a predetermined roadmap. This requires accepting the risk that some interventions might fail, while others may create outsized impact.[ii]

Challenge: In our affordable housing work, we could not predict which intervention would succeed at the outset. We found that developers had unstated hesitations about affordable housing, including construction feasibility, profitability, and buyer satisfaction. These hidden points of resistance emerged only during implementation.

Solution: Rather than betting on one approach, we piloted multiple interventions to reduce risk and systematically overcome these barriers. Our detailed business case, backed by customer research, failed to generate interest from developers. They expressed polite interest in our research but made no commitments to build affordable housing units. Developers remained hesitant even after we shared blueprints and cost estimates. **However, building a prototype "show-flat" was much more successful**. A developer constructed knee-high walls on an existing property to visualize the layout from our blueprints. We brought groups of potential customers to visit the prototype and share feedback. Customers immediately engaged with the physical space, asking detailed questions about floor materials, square footage, and fixture choices. Seeing this customer demand convinced the developer to construct affordable housing units, overcoming his initial resistance.

Challenge: Our early childhood education work encountered similar unpredictability. We initially designed interventions for ~10 standalone early learning chains (i.e., centres that did not offer classes beyond

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ii A parallel can be drawn between systems change funding and venture capital investing. Both require funders to shift from a private equity mindset (i.e., expecting predictable returns from detailed planning) to a venture capital approach (i.e., funding a portfolio of experiments knowing some will fail, but the successes can create disproportionate returns).

pre-primary education), expecting to reach children from low-income households in urban areas. However, we discovered nearly 5 out of 6 these children actually attended centres affiliated with affordable private schools instead.[6]

Solution: We evaluated the risk-weighted outcomes and pivoted our entire program from supporting standalone centres to supporting kindergarten programs within affordable private schools. This shift allowed us to reach our target population of children from low-income households more effectively. While we recognized that influencing 300,000 affordable private schools would be more challenging than working with ~10 standalone early learning chains, we determined that the risk-weighted outcomes justified this shift in program.

Outcomes in systems change remain unpredictable because critical barriers stay hidden during the planning phase, only revealing themselves during implementation. This makes it difficult to predict and ensure outcomes.

> **Steps for funders to manage the uncertainty of outcomes**
>
> 1. Pilot multiple interventions.
> 2. Show risk-weighted outcomes.

3 Difficult to commit to interventions for years with small early outcomes

Funders often need early evidence to justify funding and maintain commitment. Without sustained commitment, promising systems change programs could be abandoned before they succeed.

Challenge: In our gender equity work, it took 12 months before we produced measurable outcomes. We spent six months interviewing 6,600 women from low-income households to understand their aspirations and critical barriers in accessing jobs.[11] We then spent six months convincing and signing up warehouse companies to join us on this journey to increase gender diversity.

Solution: To counter this pressure and maintain focus, we clarified our long-term vision and interim milestones early on. First, we secured funder commitment by clarifying our long-term vision. We focused our outcome metric on the number of women employed and projected the transformative potential if warehouse companies started hiring women at scale. We helped funders understand how success with a few companies would trigger network effects across the entire system, including operations managers carrying best practices to new companies and competitors replicating proven practices to hire women. Second, we tracked stakeholder behaviours as interim milestones. This included research completed, conversations completed, partners signed up and interventions piloted. These metrics provided early evidence of progress to share with funders.

Challenge: In our affordable housing work, market transformation took ~10 years. We convinced developers to build affordable housing units and helped housing finance companies credit assess low-income households with cash income. Other developers had to witness success before launching their own projects, and construction took years. **This decade-long transformation created pressure early on**.

Solution: We adapted our measurement approach to focus on developer behaviour, rather than waiting years for completed housing units. We measured developer progression through distinct stages:

committed to build, acquired land, started construction, completed their first project, and scaled to multiple projects with validated business models. This behavioural tracking revealed market momentum years before projects were completed, providing evidence to maintain program support.

Success requires reframing how progress is measured and communicated during extended timelines. Funders can maintain confidence and momentum through the early stages of their programs by tracking stakeholder behaviour change. This provides evidence of progress while allowing sufficient time for meaningful transformation to occur.

Steps for funders to sustain commitment

1. Track interventions, stakeholder behaviour, and outcomes.
2. Show risk-weighted outcomes.

IV. Making Systems Change Viable

Beyond structural misalignment, systems change presents fundamental operational challenges. Success requires orchestrating multi-stakeholder collaborations, managing constantly evolving interventions, and engaging non-conventional stakeholders. These operational challenges can make systems change unviable for funders.

Figure 7: Challenges that make systems change unviable

Difficult to...
4. Align stakeholders on an objective
5. Roll out an evolving set of interventions
6. Fund or support non-conventional stakeholders

4 Difficult to align stakeholders on an objective

Systems change requires collaborating with other stakeholders rather than executing programs in silos. This requires aligning objectives and coordinating interventions with stakeholders who have different motivations and success metrics.

Challenge: In our early childhood education work, we struggled to align funders because each wanted to track different outcome metrics and deploy different interventions. These outcome metrics included enrolment, learning outcomes, and teacher satisfaction. To achieve these outcomes, stakeholders deployed a variety of interventions (e.g., book distribution, teacher training, infrastructure upgrades) across different geographies, age groups, and types of schools (e.g., government-run, private schools). **Despite this fragmentation, we realized funders were often trying to address similar underlying barriers**. However, when trying to collaborate with each other, they got stuck debating specific interventions instead of coordinating their efforts.

Solution: To align funders, we shifted focus to the underlying barriers rather than interventions. We first spent months deeply understanding the critical barriers by interviewing over 4,400 parents of young children and 50 school administrators and teachers.[6] We then published these barriers and organized discussions with funders *Figure 4*. Through these discussions, funders discovered that collaborating on these barriers would accomplish their individual objectives and eliminate redundant work. For example, one funder was keen to understand how parents assess their children's learning, planning to apply these insights to their programs in Africa.

Challenge: In our gender equity work, we faced a similar alignment challenge. Stakeholders were interested in different outcome metrics. While we were working on increasing the number of women in jobs, other stakeholders were interested in building a supply of female candidates through training programs or achieving pay equity for women from low-income households.

Solution: We published a barrier map to build a common understanding of the problem *Figure 5*. Other stakeholders used this barrier map to coordinate their efforts rather than work in isolation. For example, a funder used the barrier map to rally other stakeholders around increasing companies' demand for female candidates. Additionally, we observed that funders working on gender-equitable hiring laws distributed their policy efforts across different states. This coordination ensured comprehensive coverage without significant duplication of efforts within any single state.

Stakeholder alignment is inherently difficult due to conflicting approaches, geographies, incentives, timelines, expertise, and success metrics. Achieving meaningful alignment requires deep barrier understanding, distributing barriers to address, extensive relationship-building, and ongoing coordination as the system evolves and new barriers emerge.

Steps for funders to align stakeholders on an objective

1. Publish barriers.

2. Build a common understanding of barriers.

3. Distribute barriers to address.

4. Periodically share progress.

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5 Difficult to roll out an evolving set of interventions

Successful interventions change the system they operate in, requiring the interventions themselves to evolve. What works initially often becomes ineffective as system conditions shift, disrupting upfront program design and creating ongoing coordination challenges.

Challenge: In our gender equity work, companies faced multiple barriers to hiring women *Figure 5*. We initially focused our interventions on hiring barriers by training recruiters and operations managers, addressing biases, and demonstrating the business benefits of diversity. However, as we addressed these initial barriers and more women entered the workforce, new barriers emerged. Companies struggled with retention as women lacked career advancement opportunities. Pay equity issues emerged as women were concentrated in entry-level positions. Equitable promotions may become the next barrier.

Solution: We adapted our interventions as we systematically addressed barriers within companies. Once hiring barriers were partially addressed, we shifted our focus to retention barriers. We analysed payroll data to identify high-attrition locations or roles, then provided recommendations to address them. Additionally, we tracked 26 women across two years to understand their workplace experiences and challenges. Each pivot required starting afresh – engaging a new set of stakeholders and re-evaluating the barriers and interventions.

Challenge: In our affordable housing work, there were many barriers across the system *Figure 3*. We initially focused on convincing developers to build affordable housing units by sharing customer research, blueprints, and business models. Once we partially addressed the supply of affordable housing units, a new barrier emerged. Low-income households could not avail mortgages because they lacked formal income proof, like salary slips, limiting their ability to purchase homes.

Solution: We adapted our interventions to address financing barriers. We shifted our focus to

support housing finance companies in credit-assessing low-income customers with cash income (e.g., plumbers, taxi drivers) and in targeting customers. This transition from working with developers to housing finance companies required different technical expertise and stakeholder relationships, forcing us into unfamiliar territory.

Managing the evolution of interventions requires continuous adaptation that stretches program staff. Success requires significant organizational capacity to sense emerging barriers, justify intervention pivots, and coordinate grantees through constant change.

> **Steps for funders to manage evolving interventions**
>
> 1. Allow intervention pivots for the same outcome.
> 2. Track interventions, stakeholder behaviour, and outcomes.
> 3. Re-evaluate barriers and interventions.

6 Difficult to fund or support non-conventional stakeholders

Systems change requires funding or supporting multiple stakeholders to influence outcomes, including for-profit companies, government agencies, informal power brokers, and marginalized stakeholders. However, most funders avoid working with some (or all) of these stakeholders due to conflicting motivations, unclear accountability structures, potential reputational risks, and concerns about subsidizing well-resourced stakeholders.

Challenge: In our gender equity work, partnering with large companies conflicted with the beneficiary-focused approach of most funders. Many funders questioned why they should pay for programs benefiting large companies rather than the companies funding these programs themselves.

Solution: We reframed the private sector engagement as an essential pathway to impact. We convinced funders that only boosting the supply of female candidates (e.g., training women) would be insufficient since these women would continue facing systemic exclusion from jobs until companies changed their practices. We also explained to funders that companies would not prioritize gender equity without external support. These companies lacked the business case, capacity, and incentives to change independently. This reframing helped funders understand that they were partially or fully solving barriers preventing women from accessing jobs, not subsidizing corporate diversity efforts.

Challenge: In our affordable housing work, engaging developers created operational risks for funders due to the Indian real estate sector's poor track record. In 2011, developers often failed to complete projects on time. Additionally, developers might sell these units to higher-income buyers instead of the intended low-income households. These risks made funders hesitant to fund or support working with developers.

Solution: We reframed developer engagement as essential to scaling affordable housing. We explained to funders that developers are the housing market – avoiding them meant either continuously subsidizing home purchases or relying on government-built housing. We emphasized that avoiding developers would not reduce sector risks. Developers would continue problematic practices regardless, while our engagement could at least guide them toward building affordable housing units and better practices. Even unintended sales to

high-income buyers would likely result in rental properties, increasing the quality rental supply and stabilizing rental prices. This reframing helped funders understand that engaging developers, despite the risks, offered the only realistic path to impact.

Non-conventional stakeholders pose real reputational and operational risks for funders, yet are often essential to creating sustainable change. These stakeholders will not prioritize change themselves, requiring external support to adopt new practices. While research or interventions could benefit hundreds of organizations, no single organization has the incentive to fund the work independently. Hence, foundations must view this as public goods to benefit multiple stakeholders.

Steps for funders to engage non-conventional stakeholders

1. Identify critical stakeholders.

2. Support non-conventional stakeholders.

3. Position research as a public good.

V. Making Systems Change Feasible

Beyond operational challenges, systems change demands extensive organizational capacity that funders may lack. Success requires conducting deep research to uncover critical barriers, shifting key mindsets, and supporting companies to adopt new practices. These demanding capacity requirements can make systems change unfeasible for funders.

Figure 8: Challenges that make systems change unfeasible

> **Difficult to...**
> **7** Identify the few critical barriers
> **8** Shift societal mindsets
> **9** Persuade and support companies to change practices

7 Difficult to identify the few critical barriers

Systems change requires digging beneath surface-level symptoms to uncover the few critical, often hidden, barriers that perpetuate inequitable outcomes. This process requires conducting time-consuming research, engaging with a range of stakeholders, and understanding stakeholder power dynamics.

Challenge: In our early childhood education work, we struggled to identify the critical barriers among 15+ barriers *Figure 4*. We hypothesized that schools used rote learning because teachers lacked training in activity-based learning. After interviewing 4,400 parents of young children and conducting over 50 in-depth interviews with teachers and school administrators, we discovered an unexpected dynamic.[6] Teachers avoided activity-based learning, fearing that school administrators would reprimand them. School administrators, in turn, were reacting to the strong parental demand for rote learning and feared losing students to rival schools. Meanwhile, parents evaluated schools based on visible homework and rote markers (e.g., counting from 1 to 100 in order) rather than actual learning outcomes (e.g., answering whether 2 is bigger than 7).

Solution: Our research revealed that the critical barrier was hidden power dynamics. School administrators were reacting to parents' demands and, in turn, forcing teachers to use rote learning. These school administrators needed support to simultaneously educate parents on appropriate learning markers and train teachers on activity-based learning. **The research became a public good that benefited multiple stakeholders (e.g., school administrators, ABL solution providers, funders), addressing a knowledge gap that no single organization would have funded independently.**

Challenge: In our gender equity work, we repeatedly heard from experts that women do not want jobs and usually prefer entrepreneurship. Additionally, operations managers told us that women do not want warehouse roles because of the physically strenuous work and a male-dominated environment. We interviewed over 6,600 women from low-income families in urban India to understand their beliefs, motivations, and preferences toward employment. We found that 1 in 2 women were working or seeking

a job, and women were nearly twice as likely to prefer jobs over entrepreneurship. Similarly, 1 in 2 women expressed willingness to work in male-dominated and non-traditional workplaces like warehouses.[11]

Solution: Our research revealed that the critical barrier was not women's willingness to join warehouse roles, but rather the mindsets of operations managers. These operations managers had multiple biases (e.g., women do not want to work) and lacked the skills to hire, retain, and manage female employees. We targeted multiple interventions to support operations managers, including training operations managers, selecting less-biased roles (e.g., quality control), and sharing the business benefits of hiring women.

Conflicting priorities, perspectives, and incentives among stakeholder groups create barriers that outsiders cannot immediately see. This makes extensive stakeholder research essential, not optional. This research is often the only way to surface hidden incentives, relationships, and power dynamics that block progress. Treating research as a core investment prevents costly mistakes, ensures interventions target the critical barriers, and increases the odds of success.

> **Steps for funders to identify the critical barriers**
> 1. Position research as a public good.
> 2. Co-fund research.

8 Difficult to shift societal mindsets

Systems change requires transforming deeply held beliefs and cultural norms that perpetuate inequitable outcomes. These mindsets often create strong resistance to change. Funders need to identify the few, critical mindsets to shift and build tools to shift them.

Challenge: In our gender equity work, we struggled to shift the mindsets of key decision makers (e.g., parents) at scale. Parents often prevented women from taking warehouse jobs due to strongly held beliefs (e.g., 70% believed women should focus on managing the household and children, while 25% opposed women in their household working).[11]

Solution: We targeted only the critical mindsets – parents of women seeking warehousing jobs. This reduced our target group from tens of millions of parents to tens of thousands of parents of women seeking warehousing jobs for the first time. **We leveraged women job seekers and recruiters as key influencers to reach these parents directly, rather than conducting expensive public awareness campaigns**. Companies created short videos addressing key parental concerns by showcasing clean accommodations, well-lit workspaces, and the presence of other female employees. Women and recruiters used these videos to convince parents about the suitability of warehousing roles.

Challenge: In our early childhood education work, we found that parents were evaluating schools based on inappropriate learning markers. They assessed learning outcomes using rote markers like counting from 1 to 100, and were unaware of more appropriate learning markers like identifying the smallest number amongst six single digit numbers.

Solution: We targeted only the critical mindsets – parents of children about to enter affordable private schools. We equipped school administrators and ABL solution providers with videos to share with parents

during parent-teacher meetings, rather than widely distributing awareness videos. We developed 3-minute videos demonstrating the difference between rote learning and activity-based learning, showing how a child who could count to 100 might still struggle with basic number concepts. We initially tried disseminating these videos on YouTube, but found parents were not searching for this content.[8] The parent-teacher meetings channel proved more effective, as parents were already focused on their child's development and receptive to learning about better teaching approaches. The videos changed parents' attitudes toward rote learning. Parents expressed a willingness to pay ~6% higher for ABL, which later led to an improvement in learning outcomes by 33% (compared to control schools).[9]

Shifting mindsets requires more than logical arguments or good intentions. Direct persuasion rarely works at scale to overcome deeply held beliefs and cultural norms. Instead, successful mindset shifts require finding key influencers, providing them with compelling evidence (e.g., business benefits for corporate leaders), and delivering the evidence through the right channel (e.g., short video in a parent-teacher meeting).

Steps for funders to shift societal mindsets

1. Identify critical mindsets to change.

2. Find trusted influencers.

3. Equip influencers with tools.

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9 **Difficult to persuade and support companies to change practices**

Companies only adopt practices that are mandated by law, beneficial to their business, or demanded by shareholders. **Most business leaders may agree that gender equity adds value**. However, when implementing untested practices to boost gender diversity at their warehouses, they face multiple adoption barriers (e.g., competing business priorities, limited resources to experiment, unaware of local best practices, lack of capabilities to roll out interventions, lack of persistence). Companies require proven results from 1-2 pilot locations within their organization before scaling practices across the remaining locations.

Challenge: In our early childhood education work, we found that activity-based learning (ABL) solution providers were unwilling to enter the affordable private school market. Sales teams had optimized their capabilities to serve premium schools and were reluctant to visit affordable private schools in low-income areas, believing these schools would not purchase their ABL products. Even when they were willing to explore this market, sales teams lacked awareness of customer needs and the capabilities to customize their pitch. Leadership deprioritized these schools, fearing expansion would require significant investment with uncertain returns.

Solution: Expanding into the affordable private school market required extensive handholding to demonstrate market viability and build sales capabilities. We researched the market opportunity by analyzing reports[15] and interviewed over 4,400 parents to understand their aspirations, challenges, and willingness to pay for early education.[6] Based on these insights, we developed a business model and shared findings with ABL solution providers to demonstrate market potential, identify target schools, and customize products (e.g., cheaper paper, black-and-white printing). We built sales team capabilities by accompanying them to schools and helping them refine pitches based on customer feedback. By systematically addressing

each adoption barrier, we transformed skeptical corporate executives into advocates for serving and selling to affordable private schools.

Challenge: In our gender equity work, we found that companies resisted changing internal operations to hire women. Recruiter capabilities were optimized to find and select male candidates (e.g., networks included 1,000-2,000 male candidates but fewer than 50 female candidates, scouting locations were predominantly male-dominated spaces such as cigarette stops and roadside eateries). Operations managers held biases against hiring female candidates (e.g., "Women will not work after 7 p.m.", "Women do not want warehouse jobs"). Even when willing to hire female candidates, operations managers lacked the resources and capability to conduct trainings (e.g., Anti-bias) and provide transport infrastructure for women. Leadership deprioritized gender equity, worrying that changing practices would risk missing recruitment targets, increasing costs, and adding administrative burden.

Solution: Transforming internal operations required warehouse-specific interventions that reduced perceived risks while meeting recruitment targets. We trained recruiters to build female candidate networks. We raised awareness among operations managers by identifying roles with the least biases against women, like packing and sorting. We elevated gender equity as a business priority by demonstrating the business benefits of hiring women (e.g., hiring women leads to ~11.8% cost savings due to higher productivity and longer tenures).[13] By systematically addressing each adoption barrier, we transformed stakeholders from passive resistors into active champions of gender equity. **Additionally, we provided insights to government agencies to incentivize companies to hire women**. These insights included incentives (e.g., diversity criteria added in state incentive packages, relaxed night shift restrictions) and disclosures (e.g., workforce gender disclosure).

Developing these context-specific interventions requires extensive handholding of companies. Only after companies see success in pilot locations are they willing to scale practices. However, once proven effective, companies independently implement, scale, and sustain these practices across other locations.

> **Steps for funders to overcome adoption barriers**
>
> 1. Demonstrate business benefits.
>
> 2. Pilot multiple interventions.
>
> 3. Share insights with the government.

Collectively, these nine challenges can make systems change appear undesirable, unviable, or unfeasible for many funders. While these are significant challenges, they are not insurmountable. Understanding these challenges can help funders make informed decisions about whether systems change aligns with their organizational capabilities and constraints. In the next chapter, we share a 5-step framework to navigate these complexities and to reduce risks in implementing systems change.

VI. Putting it all Together

In the previous chapters, we have explored nine key challenges and their solutions from our three programs over 14 years. **These challenges have taught us lessons and each setback has strengthened our approach**. Many interventions within our programs failed to produce expected results, requiring us to pivot approaches. We stopped one program entirely when we could not identify a viable business model after one year of effort. These experiences taught us that adaptability and continuous learning are essential for systems change success.

When faced with these challenges, it is understandable why many funders find themselves defaulting to patching the system rather than changing it *Figure 9*. The pressures are real: boards expect clear metrics, program timelines demand quick wins, and established processes reward predictable outcomes. These institutional realities often nudge funders toward incremental fixes, even when they recognize deeper change is needed.

Figure 9: Shift in intention needed to implement systems change

"Patch the system" mindset	"Change the system" mindset
• Prioritize short-term and predictable outcomes	• Prioritize long-term and risky outcomes
• Map and address barriers independently	• Map and address barriers collaboratively
• Repeatedly address symptoms	• Permanently address root causes
• Avoid societal mindset shift	• Shift few key mindsets
• Rely on government to influence companies	• Fund or support companies
• Evaluate cost, output, and outcomes	• Evaluate changes in behaviour also

Funders can choose to lean in and make their intent to change the system explicit. Doing so would offer the potential for permanent, transformative change that continues long after the intervention or program ends.

Once funders shift their intent, they can apply a 5-step framework to implement systems change *Figure 10*. This framework organizes the 20+ recommended steps from the previous chapters into a structured program cycle. Funders can select and implement steps that align with their current capacity, constraints, and strategic objectives. While these steps cannot eliminate the inherent uncertainty of systems change, it may help to increase the chances of success.

Figure 10: CASCAdE: 5 steps to implement systems change
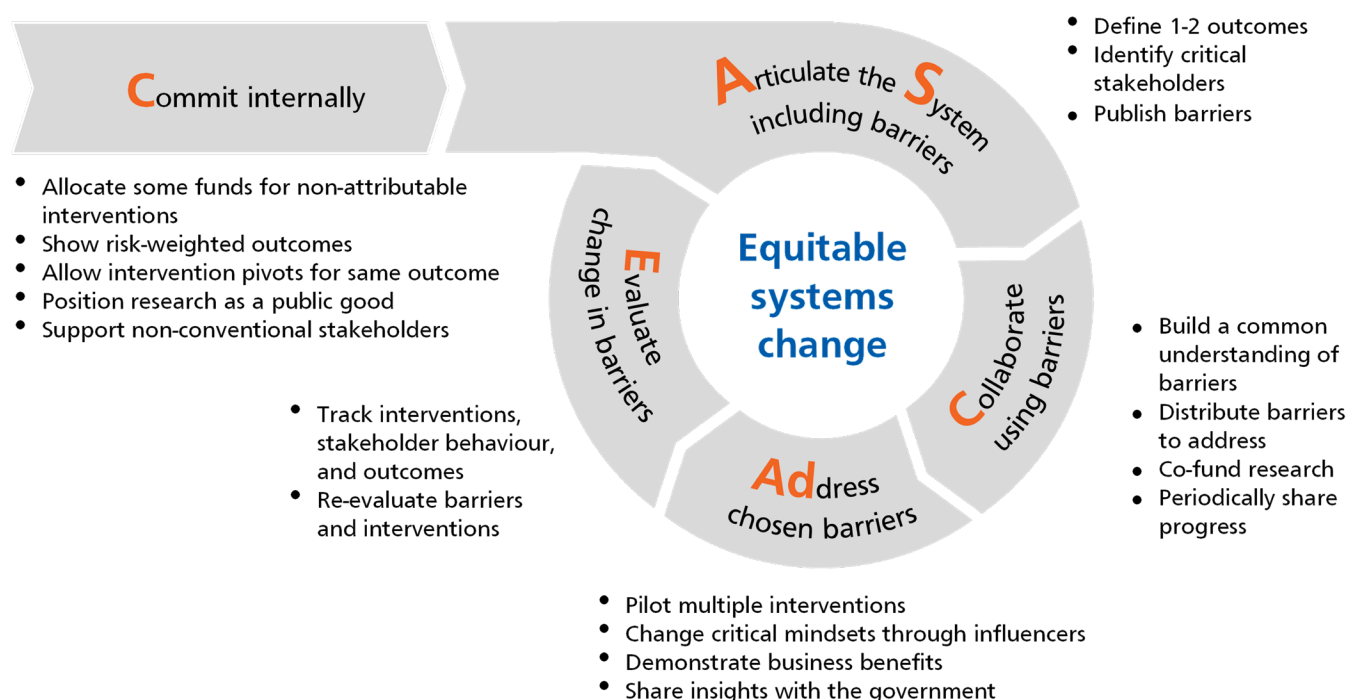
To demonstrate how the CASCAdE approach applies in practice, we will examine two potential systems change opportunities: scaling women's hostels chains and restoring river health. For each step of the framework, we will highlight the strategic decisions funders would need to make using these two opportunities, showing how the same framework can apply across different sectors and contexts.

A) Scaling women's hostel chains to unlock workforce participation

Women seeking employment face a critical barrier – lack of safe, and affordable accommodation. This forces many women to choose cramped, informal housing or abandon their career aspirations entirely. This limits their economic potential and perpetuates gender inequities in the workforce.

An industry facilitator sees the potential to transform this challenge into a sustainable market solution. The facilitator aims to partner with five to six companies and help them profitably build, own, and operate hundreds of women's hostels in industrial corridors, creating pathways for women to access employment opportunities. To do this, the facilitator plans to interview thousands of women to understand their housing preferences and financial capacity, map employer needs for female talent with industrial corridors, and develop profitable business models for hostel operators.

B) Restoring river health to benefit communities

Poor river water quality affects entire communities, creating health risks and environmental degradation. Multiple pollution sources, including industrial waste, household waste, and agricultural runoff, require coordinated intervention across stakeholders.

An implementer sees this as a systems change opportunity to mobilize diverse stakeholders to clean the river. The implementer hopes this initiative can restore river health and create lasting environmental and community benefits by addressing the pollution sources simultaneously.

Step 1: Commit internally: Success is when the board is aligned on the long-term vision, resource commitment, and adaptive approach needed to engage in systems change. Strong internal commitment means your board understands the intervention strategy, embraces the iterative learning process, and provides teams with decision-making authority to seize emerging opportunities. Where alignment is unclear, you should share scenarios and implications with the board.

Strategic decisions to strengthen commitment

River restoration: Will you target critical barriers by reducing pollution sources entering the river, or address symptoms through waste removal?

Women's hostels: Should you design the research to validate one high-potential business model (e.g., women-only hostels in industrial corridors), or explore multiple pathways (e.g., conducive government incentives, transport facilities from the hostel)?

Step 2: Articulate the **S**ystem, including barriers: Success is when you have clearly defined outcome metrics, critical stakeholders, and barriers to address. Strong system articulation means you can measure progress toward specific changes, focus efforts within a manageable scope, and align partners around a shared understanding of barriers.

Strategic decisions that sharpen articulation

River restoration: Will you target immediate water quality improvements with measurable deadlines, or pursue long-term river health interventions that may require decades to achieve?

Women's hostels: Should you measure success as the number of hostels you have directly supported or the number of profitable hostel companies?

Step 3: Collaborate using barriers: Success is when multiple stakeholders jointly agree on barriers to address and commit resources to complementary interventions. Strong collaboration means you have identified partners with aligned incentives, negotiated clear role divisions that leverage each organization's strengths, and established coordination mechanisms that promote learning and adaptation (e.g., quarterly progress updates). It is essential to discuss barrier distribution rather than intervention choice.

Strategic decisions that strengthen collaboration

River restoration: Should you divide responsibilities by expertise (e.g., implementing technical solutions versus supporting the government with actionable evidence and insights) or by stakeholder type (e.g., private sector engagement versus influencing families)?

Women's hostels: Will you seek partners who share research costs, investors who want to invest in proven business models, implementers who can lead pilots, or all of these stakeholders?

Step 4: Address chosen barriers: Success is when interventions systematically target critical barriers and key stakeholders begin adopting new behaviours. Strong intervention design means you have identified high-leverage stakeholders whose behaviour change creates cascading effects and developed context-specific approaches that overcome hidden resistance.

Strategic decisions that increase the impact of interventions

River restoration: Should you target changing the behaviour of many households through awareness campaigns, or focus on a few industrial unit owners through extensive support?

Women's hostels: Should you support existing accommodation providers to add women-focused hostels, or help new entrepreneurs build a women-focused hostel business?

Step 5: Evaluate change in barriers: Success is when you can detect meaningful shifts in system conditions and adapt interventions accordingly. Strong evaluation means you track leading indicators that signal behaviour change before outcomes fully materialize, distinguish between temporary and sustained adoption, and use learning to strengthen interventions, rather than just report progress.

Strategic decisions that sharpen evaluation:

River restoration: Should you measure direct water quality improvements, track stakeholder behaviour changes that indicate sustainable pollution reduction (e.g., number of waste treatment plants set up), or both?

Women's hostels: Will you evaluate success through individual partner performance (e.g., profitability, occupancy rates), or market-level transformation signals (e.g., number of new entrants)?

What will your foundation be remembered for? In 20 years, will your foundation be remembered for maintaining the status quo with incremental improvements, or for having the courage to tackle critical barriers when it was difficult and uncertain? This choice requires abandoning the comfort of clear attribution and predictable outcomes and accepting that it may be impossible to claim credit for your contributions. The communities you serve rarely need you to prove exactly which intervention created change, but they do need you to commit to changing the conditions that trap them in cycles of inequity.

"Courage is not the absence of fear, but action in spite of it."

– Nelson Mandela

VII. Appendix 1: Recommended Reading

"**Water of Systems Change**", FSG (2018). Introduces the 6 conditions of systems change along with the "inverted triangle" framework as an actionable model for funders and others interested in creating systems change.

"**Deconstructing the Birdcage**", New Profit (2020). Highlights 3 "social impact models" that social entrepreneurs have used.

"**Embracing complexity**", Ashoka, McKinsey & Company, Catalyst 2030, Co-Impact, Echoing Green, Schwab and Skoll and SystemIQ (2020). Shares approaches and case studies to finance systems change.

"**Facilitating Equitable Systems Change: A Guide to Help Foundation Board Members and Executive Leadership Lead the Way**", Rockefeller Philanthropy Advisors (2023). Shares why leadership of foundations should embrace systems change and how they can embrace it.

"**Beyond the Pioneer**", Monitor Deloitte (2014). Explores the barriers to scaling and highlights case studies of market-based solutions that have achieved scale.

"**The Iceberg Model**", Donella Meadows. A tool to help contextualize an issue as part of a whole system.

VIII. Appendix 2: Endnotes

1 As estimated by FSG based on government's annual Periodic Labour Force Survey (2020-2024) and industry association's annual reports (2021-2024). Estimation approach is detailed here

2 Learn more about market-based approaches in "Beyond the Pioneer", Monitor Deloitte (2014)

3 Learn more about FSG's affordable housing work in "State of the low-income housing finance market", FSG (2018)

4 Mint article titled "Former HDFC employees set up affordable housing finance firm Weaver Services" (2024)

5 Learn more about FSG's early childhood education program on the "Program to Improve Private Early Education" website

6 Learn more about the findings from interviewing 4,400 parents of young children in "The Preschool Promise", FSG (2017)

7 Learn more about the affordable private school market opportunity and best practices to serve this market in "Business Blueprint for APS Activity Based Learning solution providers", FSG (2024)

8 Watch the video "Ratta ya Samajh (Rote or Learning)?" on YouTube

9 Learn more about the early education program's impact on the "Impact of PIPE's Interventions in the Affordable Private School Market" website

10 Learn more about FSG's gender equitable workplaces program on the "Growing Livelihood Opportunities for Women" website

11 Learn more about the findings from interviewing 6,600 women in "Creating a Gender-Equitable Workforce in India", FSG (2022)

12 Learn more about the best practices to hire women in warehouse roles in "Roadmap to gender equity for dark store and warehouse operations", FSG (2023) and in flexi-staffing roles in "Roadmap to gender equity for flexi-staffing companies, FSG (2025)

13 Learn more about the business benefits of hiring women in "The ROI of Gender Diversity: Women Driving Business Success in Blue-Collar Roles", FSG (2024)

14 Learn more about the 17 insights in "Insights to improve women's workforce participation", FSG (2024)

15 Learn more about the market sizing on "The Indian Affordable School Landscape" website

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