



**STANFORD**  
GRADUATE SCHOOL OF BUSINESS

**STANFORD** SOCIAL INNOVATION *review*

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

By Ronald A. Heifetz, John V. Kania, & Mark R. Kramer

Stanford Social Innovation Review  
Winter 2004

Copyright © 2004 by Leland Stanford Jr. University  
All Rights Reserved



**STANFORD**  
GRADUATE SCHOOL OF BUSINESS

Stanford Social Innovation Review  
518 Memorial Way, Stanford, CA 94305-5015  
Ph: 650-725-5399. Fax: 650-723-0516  
Email: [info@ssireview.com](mailto:info@ssireview.com), [www.ssireview.com](http://www.ssireview.com)



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

# leading boldly

THREE FOUNDATIONS SHOCKED the city of Pittsburgh in 2002 by abruptly suspending their funding to local public schools. Collectively, these foundations – the Heinz Endowments, the Grable Foundation, and the Pittsburgh Foundation – had awarded nearly \$12 million to the city school district over the previous five years. The foundations announced their decision in a news conference that attracted both local and national coverage – a sharp departure from their usual approach of working quietly behind the scenes. Foundation executives explained that they had completely lost confidence in the ability of the local school board to run the district.

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

The controversy, reported on local television and the front pages of both the *Pittsburgh Post-Gazette* and the *Wall Street Journal*, created an immediate sense of urgency within local government and throughout the community. The day after the foundations’ announcement, Mayor Tom Murphy stated, “The action of the foundation community is a wake-up call, one that I hope will force all of us to come together as a community to address the ongoing problems

PHOTOGRAPH BY MASTERFILE

by RONALD A. HEIFETZ, JOHN V. KANIA, AND MARK R. KRAMER

## If foundations are to achieve significant social impact, they must do so by leading. And they are well positioned to take on that role.

facing the Pittsburgh Public Schools.”

Within a month, a Mayor’s Commission on Public Education was formed to conduct the first independent, comprehensive analysis of the city’s school system and make recommendations for change. Its 38 members represented a broad cross-section of business, civic, religious, and educational organizations, including representatives from all three foundations. Trueheart served as co-chairman.

A year later, the commission released a scathing report that recommended dramatic reforms to correct problems in the way the school district was governed and operated. Many of the district’s difficulties were traced to a school board long paralyzed by intramural conflicts. The report received extensive media coverage and in the next election, in early 2004, the president was ousted and another member chose not to run. A new majority on the board soon began to implement many of the commission’s recommendations.

Though numerous community representatives, government officials, parents, and voters were involved in this sweeping change, the foundations had unquestionably played a critical role in catalyzing public action. As the *Post-Gazette* noted, “It is difficult to parse the exact reasons for this improvement [in the schools] because it has several strands, but the July 2002 decision by the

Heinz Endowments, the Grable Foundation and the Pittsburgh Foundation to withdraw their funding did serve to concentrate minds on the seriousness of the board’s dysfunction ... and provided helpful context for the grassroots effort that led to the victory of several new board members, breaking the old majority and bringing the hope of better times.”<sup>1</sup> All three foundations restored their funding to the schools in February 2004.

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

The need to exercise leadership without misusing authority is a constant source of concern for foundations. The immense scale of the social problems that many foundations tackle – education, healthcare, the environment – dwarf their considerable financial resources. If foundations are to achieve significant social impact, they must do so by leading others, not by acting alone. And as the Pittsburgh example demonstrates, they are well positioned to take on that role. Bolstered by their philanthropic wealth, foundations occupy a position of inherent stature and respect. They have access to media and to influential people in the government and community. Insulated from political and market forces, they have the unfettered ability to confront social issues and take unpopular positions in a way that other institutions in our society cannot.

At the same time, foundation executives express frequent concern about the imbalance of power between themselves and their grantees. As a result, foundations often try to avoid imposing solutions or conditions that might change the course of their grantees’ work, fearing that might create excessive dependence or adverse unintended consequences. Heated debate persists in the field over whether to make grants proactively or only respond to unsolicited applications. The fundamental dilemma of foundation leadership lies in this tension between the desire to achieve substantial impact directly attributable to the foundation and reluctance to

---

**RONALD A. HEIFETZ** is the King Hussein bin Talal Lecturer in Public Leadership at Harvard’s John F. Kennedy School of Government, and a co-founder of the Kennedy School’s Center for Public Leadership. His first book, “Leadership Without Easy Answers” (Belknap/Harvard University Press, 1994), is in its 13th printing. Heifetz also is a principal of Cambridge Leadership Associates and can be reached at [ronald\\_heifetz@harvard.edu](mailto:ronald_heifetz@harvard.edu).

**JOHN V. KANIA** is managing director of the Foundation Strategy Group in Boston. FSG advises foundations and corporations on philanthropic strategy development, evaluation, and communications. FSG served as a consultant to the Pittsburgh Foundation during the time that it suspended grants to local public schools, but his work was unrelated to that decision. Prior to FSG, Kania was a management consultant to clients in education, healthcare, and media. He can be reached at [john@foundationstrategy.com](mailto:john@foundationstrategy.com).

**MARK R. KRAMER** is a founder and managing director of the Foundation Strategy Group and a senior fellow at Harvard’s Kennedy School of Government. He is also a founder and chairman of the nonprofit Center for Effective Philanthropy. Kramer writes regularly on philanthropy, and his articles have appeared in the *Harvard Business Review*, *Chronicle of Philanthropy*, and *Foundation News & Commentary*. He can be reached at [mark@foundationstrategy.com](mailto:mark@foundationstrategy.com).

impose an agenda on others.

This is, however, a false dilemma built on the conflation of leadership and the type of power that derives from authority. It assumes foundations that choose to take a proactive role in solving social problems must figure out the answer for themselves, and then impose it on their grantees. This traditional view of leadership has been displaced in recent years by a much more subtle, dynamic view of social change in which people and institutions that lead are not expected

to know the answer and bear the full responsibility for problem solving. Instead, they try to create and sustain the conditions through which stakeholders take responsibility for tackling tough problems and generating answers that are better adapted to the politics, culture, and history of their situation. This new approach, known as adaptive leadership, avoids the classic dilemma between proactive and passive grantmaking, offering foundations a far more powerful model for social change.<sup>2</sup> It also challenges many traditional foundation practices and assumptions.

### Asserting Leadership, Not Just Authority

Leadership is not the same as the authority and power of a corporate CEO or military commander. Formal authority depends on an established power hierarchy – the ability to tell people what to do and impose severe consequences for disobedience. By contrast, leadership is most usefully viewed as an activity rather than a formal position or personal characteristic, and it may or may not be accompanied by authority (sidebar, p. 24).

Presidents of the United States occupy a position of formal authority; sometimes they lead, other times they do not. But many others who are seen to be leaders do not occupy such power perches, such as Martin Luther King, Gandhi, and Margaret Sanger. They led with virtually no formal authority, and even their moral authority accumulated long after their leadership was under way. Political candidates have no formal power before they are elected, yet they can demonstrate leadership. Similarly, social entrepreneurs like J.B. Schramm, who revolutionized college access for low-income high school graduates, can lead significant social and political change without any formal authority.



David Matter, Pittsburgh Foundation trustee and chairman of the Greater Pittsburgh Chamber of Commerce, Mayor Tom Murphy, and Pittsburgh Foundation CEO Bill Trueheart at a press conference announcing needed reforms to Pittsburgh's public schools.

Those who lead social movements often have a small base of *formal* power in their own organization or constituency. They also may have a wide network of *informal* authority in the community at large, where their words and actions carry influence despite having no enforceability. Often, however, their leadership extends far beyond their spheres of both formal and informal authority, influencing the behavior and thinking of people who may not even know they exist. The Rev. King, for example, was usually not preaching to the choir; through his public demonstrations he was preaching to the rest of the nation.

Foundations likewise possess both narrow authority and the potential to exercise much broader leadership. A foundation's formal authority is limited to its grantees, because it is only over those who accept its money that it has the power to impose conditions and consequences. On the other hand, foundations can use their stature, wealth, knowledge, and access to exert leadership over a much larger arena. They cannot tell people who do not take their money what to do, nor penalize them for disobedience, but they can influence their thinking and behavior nonetheless. In Pittsburgh, the foundations had no authority over the mayor, school board, media, or voters, yet their leadership set in motion a chain of events that had substantial impact on all the other players. This kind of leadership is much more powerful, although less common and often less comfortable for foundations to exercise.

However, such broad influence is especially important for foundations. Not only do they often lack the authority to impose a solution on a problem, frequently there is no single entity anywhere with sufficient authority to solve it. Improving a public school system or

## Foundation executives will need the fortitude to withstand intense public pressures. “If you ride the ridges, you get shot at more often than if you stay in the valleys.”

addressing disparities in healthcare are large, complex issues involving many different interested parties. Even if a foundation had discovered the solution to such an intricate problem, no single grantee would be in a position to implement it. In Pittsburgh, for example, many stakeholders could lay claim to some authority over the schools, yet no one individual or entity controlled the situation completely. The school board had the most direct authority but, as the subsequent elections proved, its members were beholden to the constituents that elected them. The mayor could bring the authority of his office to bear in mobilizing a task force, but he had no formal jurisdiction over the school board. Discontented Pittsburgh residents could voice their displeasure and vote certain board members out, but they could not directly control the board’s actions.

The Pittsburgh foundations exercised both authority and leadership, but it was their leadership that produced results. Their authority was limited to withholding funds from the school system. But the amount withheld represented only a half percent of the school district’s overall budget, and had the foundations quietly taken this action alone, it might have had little or no effect. (Indeed, journalists seeking to substantiate the

ex-school board president’s claim that the foundations’ action was harming schoolchildren could not find any discernible impact.) It was by publicly explaining why they were suspending the money, together with much work behind the scenes and through the mayor’s commission, that the foundations exerted leadership. They influenced the mayor, dozens of community representatives, and ultimately many thousands of voters who took action to shake up the school board. The foundations had no authority over these actors, but through their leadership the foundations highlighted a problem and created the conditions that led to progress.

### Finding Solutions to Adaptive Problems

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

Technical problems are well defined: Their solutions are known and those with adequate expertise and organizational capacity can solve them. When a foundation tackles a technical problem, it knows exactly who to fund, how much it will cost, and what the outcome will be. Examples of such problems are increas-

## What Is a Leader?

Can the literature on leadership over the past five years and numerous perspectives emerge about what it means to be a “leader.” Even within the narrow field of philanthropy, the concept of leadership has many meanings. Foundation staffers often speak of the need to identify “visionary and charismatic leaders” among potential grantees with the ability to build organizations or create social change. “Leadership development” is a common category of funding for foundations that underwrite capacity-building efforts. The best-known, most-innovative, or best-endowed

foundations are referred to as “leading foundations.” And the phrase “foundation leaders” typically describes board members, executive staffers, or donors who have the authority to direct the work of their foundation.

But leadership can and should be defined in a more precise way if the term is to become analytically and prescriptively useful.

First, leadership is better understood as an activity rather than a set of personal or institutional capacities. Talented people often exercise leadership on some issues and avoid it on others. No person or institution leads consistently across all issues all

the time. Second, prominence, resources, or positions of authority do not define leadership. Significant leadership often comes from the margins of society, without authority. What, then, defines leadership? It is the activity of mobilizing people to tackle the toughest problems and do the adaptive work necessary to achieve progress.

Thus there is no such thing as a “leading foundation” or “foundation leaders.” There are only people and foundations that sometimes exercise effective leadership. There is no guarantee that leadership will be exercised either by a person with a great deal of authority or a foundation with a lot of influence and a large endowment. Instead, leadership defines itself through action.

ing access to higher education (by funding scholarships), increasing capacity for treating patients (by building a new hospital), increasing the efficiency of a food bank (by installing better inventory controls), or eradicating malaria (by underwriting vaccines). In each case, the problem is clear, the solution depends on well-established practices, and, given enough money, a single organization can implement the solution.

Adaptive problems are entirely different. They are not so well defined, the answers are not known in advance, and many different stakeholders are involved, each with their own perspectives. Adaptive problems require innovation and learning among the interested parties and, even when a solution is discovered, no single entity has the authority to impose it on the others. The stakeholders themselves must create and put the solution into effect since the problem is rooted in *their* attitudes, priorities, or behavior. And until the stakeholders change their outlook, a solution cannot emerge.

Many fundamental social problems that foundations seek to address – from reforming education to ending hunger and homelessness – are adaptive. But in contrast to technical problems, merely throwing money at an adaptive problem rarely, if ever, works.

Solving adaptive challenges requires a period of work that can only be done by the stakeholders involved. Adaptive problems grow out of conflicting values among stakeholders, or internal contradictions between the values they stand for and the realities they face. Adaptive work, therefore, requires a change in values, beliefs, or behavior on the part of those with an interest in the problem, and such changes cannot be externally imposed (sidebar, p. 26).

The core of adaptive work is mediating these conflicts and internal contradictions, and providing the leverage that motivates people to learn new ways of thinking. Therefore the central task of adaptive leadership is mobilizing people to clarify what matters most, in what balance, and with which trade-offs. People and institutions that lead must harness, manage, and ultimately defuse conflict among interested parties so that each can adapt to the other and to the situation in a manner that brings about social progress.

It may seem as though large problems are adaptive and narrow problems are technical, but those criteria are not reliable. Even a very limited problem, such as preventing teenage pregnancies among ninth-grade girls in a single school, is likely to be adaptive. Con-

versely, a very large challenge, like developing an AIDS vaccine, is more a technical problem in the sense that it is likely to be solved eventually through ongoing funding of scientific research.

Nor is there an absolute distinction between technical and adaptive challenges. Many problems have both technical and adaptive elements, which must be teased apart because each requires a different treatment. The technical fix of distributing free condoms might help reduce teenage pregnancies, though it is unlikely to solve the problem entirely. And even after an AIDS vaccine is discovered, the challenge of delivering it to entire populations in countries that lack robust healthcare infrastructure will be largely adaptive.

Despite the eagerness of foundations to tackle adaptive problems, they often use tools that are inherently technical. Most grant requests – and the theories of change on which they rely – are based on the assumption that funding a particular activity will solve a given problem. But pressure to fit the round peg of adaptive work into the square hole of technically oriented foundation funding often causes distortions and unrealistic promises in the grant process. When a foundation applies a technical approach to an issue that requires adaptive learning, the result can be resistance and confusion on the part of grantees, a failed program, or even a collapsed organization.

The tendency to fight adaptive problems with technical tools may be the single greatest barrier to foundations' effectiveness, and the reason that many multi-million-dollar foundation initiatives fail to create lasting social change. Tools that depend on a known answer and the authority and organizational capacity to impose a solution are not likely to be effective in solving adaptive problems that require multiple stakeholders to clarify their values, choose among painful trade-offs, develop previously unknown solutions, and implement them.

Thus foundations face a choice: They can continue to rely on the technically oriented approach to grant-making they are used to, and settle for addressing important but far simpler technical problems, or they can depart from tradition and learn to use adaptive leadership to become more effective at meeting complex social challenges. Foundations that attack adaptive problems head-on, however, have to be willing to accept what may become far more controversial public profiles.

### **Spurring Stakeholders to Find Solutions**

Adaptive leadership involves managing the conditions

## 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.

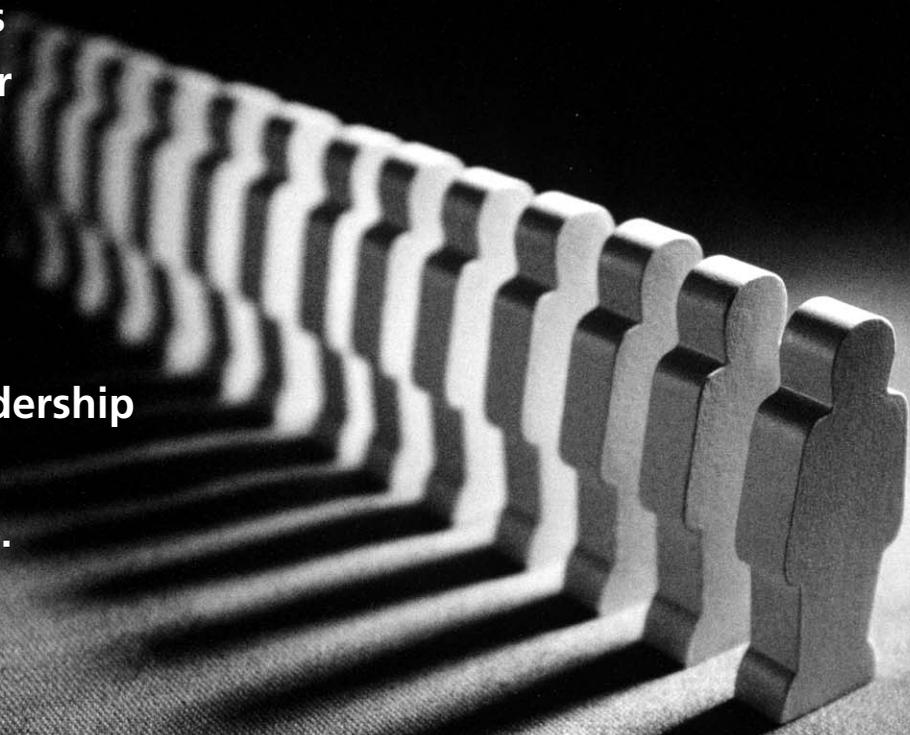
### **Courting Conflict**

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.