



THE UPSIDE DOWN OF FIDUCIARY RESPONSIBILITY

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Foundations and other nonprofit funders are caught in a time when inadequate resources can be expected to lead to adaptive new ways to meet funding challenges and changing conditions. This is good in one respect. A different perspective is that unless we develop the capacities among funding organizations to realize the need to utilize at least 10-20% of spending allocations to fund "processes of creation," then there will not be the innovation needed to help communities transform how they think and work in an era of rapid and constant change.

Considering Traditional Approaches

Over the past fifty years, the concept of strategic planning has emphasized the ability to predict future outcomes and control the processes from beginning to end. Neither is possible in a time of constant change, when increasing interconnections create heightened complexity, and when new outcomes and patterns can emerge without any expectations that they will do so.

The biggest and most recent example is the financial meltdown of 2008, when bad mortgage decisions eventually led to a crisis in the US that triggered alarm around the world. World leaders are scrambling to identify and prevent a series of cascading crises – such is the level of complexity of our world.

The past is strewn with the loss of opportunities because the wrong filter was used to understand the reality of the future. Nowhere is this more obvious than in the nonprofit sector during this time of historical transformation.

With the best of intentions to steward funds wisely and responsibly in a time of reduced endowments and charitable contributions, staff members and boards of foundations and key community organizations, by the very nature of their questions and comments on grant applications and during the review and reporting process, often reflect a lack of understanding of the shift in times. Their approach to funding the future needs to be more than reformed, it needs to be transformed.....so that these resources can support communities' that are also transforming.

The following are typical of considerations to insure that the time, effort and money that is being requested by nonprofit organizations are properly used:

- Where has this already worked?
- What is the model that we can replicate?
- Show us something practical.
- Use language that we already understand.

Taking these considerations one by one, let's consider the assumptions behind each one from the context of the past, when change was relatively slow and geographical areas self-contained, and also from the context of a future of increasingly fast-paced, constant change, where modern communications technology connects people and organizations throughout the world in real time.

1) Where has this already worked?

In a time of slow change, where demographics, attitudes and cultural approaches are basically similar in different parts of the country, this question is reasonable because the past, present and future are not dissimilar.

In a time of fast-paced, interconnected and increasingly complex change, such a question has little meaning because the present and the future are cut from a different cloth. The impact of emerging technologies so changes the context of our society and economy in the future, that some idea of some project that worked in the past in another area will have little correlation as to its potential for success in an environment of constant change. It is the rate of change and complexity to which our processes must adapt.

2) What is the model that we can replicate?

This question follows the same assumption described above ...that something that has worked in another area or community will work in other areas or communities.

An additional underlying assumption here is no longer valid.... that a standard approach to anything will be viable. In a time of constant change, there is no standard model that can be replicated for two reasons. One, by the time a new and successful model is developed, the assumptions that made it work are no longer valid because the impact of emerging trends and weak signals in technologies, demographics, economic challenges, etc. Again, it is the rate of change and complexity that demand adaptability at a new level.

Two, the real time interconnections resulting from communication technologies such as the iPhone insure that constant dialogue will develop emerging ideas never before considered, on a daily if not hourly basis. Key principles of seeding transformational thinking and action will be common to

all areas and processes as economic development, leadership development and learning environments are rethought and tailored to constantly changing conditions. However, there will be no standard model as traditionally considered because the future will always be ambiguous and uncertain, new and exciting. The death of certainty requires the birth of new approaches to funding the future.

3) Show me something practical.

This is the most subtle of ideas and one which will destroy the capacity of organizations and communities to be able to prepare for a different kind of future if "practical" is not redefined.

Whoever asks this question usually has two motivations, one conscious, and one unconscious. The conscious motivation is to make sure that what is being suggested has relevance for the present in ways that people can understand. The unconscious motivation is often to control the process and decision-making on the part of the person asking for others introducing a new idea to be practical.

Funding a wheelchair is practical for those who are unable to walk. Funding youth basketball is practical for kids who are from families unable to provide private sports activities. Funding gardening implements is practical to teach people how to grow their own food. Funding a building for education is practical....until one realizes that virtual universities and individualized learning over the Internet will be another norm of education in the not so distant future.

What is practical for a different kind of future will be very different from what is considered practical today. In fact, anything that is considered practical today was likely considered impractical at some point in the past. This will be compounded from here forward because the rate of change is now faster and exponential. With things changing so fast and

increasingly complex, communities need to build the capacity to respond like immune systems and adapt quickly to whatever is beginning to emerge.

It will be emotionally and psychologically challenging for funders to realize that their role in the future is to fund the “impractical, the uncertain and ambiguous, and that which does not exist,” *in addition to* that which is tangible and concrete.

4) Use language that we already understand.

This is a reasonable request at first glance, and the answer depends on whether the focus is the present or the future.

If the idea being introduced is in the present, then using language that is understood in clear and concise ways is key. Example, a wheelchair for someone unable to walk. However, if the objective is to help others begin to shift their thinking and prepare for a different kind of future, then being clear and concise is the exact thing you don't want to do since the future is anything but clear in this time of fast-paced and constant change. This means cultivating adaptability, creativity, cooperation, and building interlocked networks for resiliency.

A key role of a leader, a Transformational Leader, is not to answer a question directly. It is to create an environment for a natural process of rethinking the future, so that people decide for themselves that they need to change. Consider these four stages of transformation:

1) The stage of resistance when an individual's belief systems are challenged and threatened; 2) The stage of hmmm? when someone is exposed to a new idea, concept or method and stops to think about its implications; 3) The stage of aha! when someone breaks through his/her traditional filter and understands the new approach. Usually there is a period of time as this person thinks about the idea at a deeper level, before the commitment to an adapted form of the new idea

occurs; and 4) The stage of “of course” when the newly emerging ideas and methods resonate and become an intuitive part of one’s filter of reality.

Funding a different future, with its ambiguity and uncertainty, will demand highly adaptive nonprofit organizations responsive to local and evolving needs. Leaders of these organizations will need to understand and use a new language to be effective in a constantly changing society.

The Center for Communities of the Future has developed a “Language of Transformation” so that those who want to prepare for a different kind of future will be able to understand that there is no transformation without new concepts, new ideas, new methods, and new techniques that do not presently exist...therefore the need for new language.

Funding the Future

"The movement from low-level rules to higher level sophistication is what we call emergence. Emergent, self-organizing, bottom-up behavior, undirected and uncaused by any type of higher level agents, is to be found everywhere: not only among ants and city dwellers, but also in Adam Smith's invisible hand, in the operation of Pareto's law, on the Web, in certain types of video games such as Sim-City, and even more in our brains."

..... *Smart World*
Richard Ogle

This quote from the book, *Smart World*, is important for those involved with foundations and nonprofit funding because it is the basis for rethinking how to prepare communities for the future.

The past fifteen years has seen a transition from an Industrial Age where hierarchies, standard answers and the ability to predict and

measure outcomes was the norm, to an Age of Connections, where single, unexpected “wild cards” could throw a system out of balance. Consider derivatives in global finance or the fact that the sudden demise of frogs foretell a drastically altered world economy and ecology.

In other words, our world has shifted from linear processes best represented by batch manufacturing, (processes with the exact same outcomes, time after time, no matter what) to non-linear processes reflected in the social network of web 2.0. Societies everywhere are in the process of historical transformation, where there is no template, no model, and no traditional rules to follow.

We are in a time of transformation from one type of society to another, from standard answers to complex adaptive systems, and from the ability of foundations and funders to demand what outcomes to expect, to a time when *capacities* for transformation need to be seeded and nurtured, with new connections and partnerships formed as new ideas and methods emerge, forming a “futures context.”

It is this transformation of society, characterized by a lack of predictability and uncertainty, that has yet to register fully on the part of foundations, angel funders, and businesses when considering what to fund and why. In a time of increasing change, when specific outcomes cannot be predicted, foundations need to rethink how to utilize endowments and businesses need to reassess their budgets to help organizations and communities prepare for a different kind of future that is increasingly complex and unknown.

When the future is unknown and there is no past template that will work, communities will be required to take more risk and accept more failures, whether it be in creating new methods of learning/education or developing a new form of economic development that is consistent with creating organizational resiliency in a time of constant change. In a transformative world, failure is redefined to mean lack of willingness to try new things.

John Kelly, past President of Research and Development for IBM, is quoted as saying that "if we don't fail 1/3 of the time, we are not stretching enough."

The same will be true for communities as they struggle to shift from Industrial Age institutions and methods to an Age of Connections where interlocking networks and virtual platforms will become the basis for organizing society, economies and communities. Nonprofit organizations are uniquely positioned within communities across the country to lead a shift in thinking, prepare citizens for a new and different world, as they provide services and enhance lives of local citizens.

With this in mind, foundations need to rethink their funding philosophy and policies, encouraging proposals that seed transforming communities. To prepare for a different future, and support nonprofit organizations and the vast networks of people engaged in those networks, a percentage of funds could be used to fund community research and development initiatives such as and not limited to: 1) establishing "futures institutes" at community colleges that integrate energies from a wide variety of nonprofits including business-focused chambers; 2) creating new leadership development efforts based on chaos, complexity and ecology theory, 3) developing a "communiversity" series of videoconferences to introduce new ideas into the thinking and action of a community without regard to expected outcomes; 4) creating "innovation networks" and "idea incubators"; and 5) 21st century projects to seed future thinking such as the Knowledge Works Futures Map in conjunction with Transformational Learning ideas and methods pioneered by the Center for Communities of the Future.

Some foundation leaders will consider these insights as "upside down," not fitting into the familiar, traditional framework, because they will not be able to guarantee the outcomes, and, in fact, not even know what outcomes may occur. Such an approach could even be said to fund failure on purpose to insure that true transformation will emerge. That is the point of this article. More of the same is not the answer. Waiting is not the answer either. Transformation is about

seeing the world differently, and realizing that a new type of filter is needed to be able to adapt quickly to changing conditions...in other words, we need to move from a old mindset to a new mindflex.

“Every few hundred years in Western history there occurs a sharp transformation. Within a few short decades, society – its worldview, its basic values, its social and political structures, its arts, its key institutions – rearranges itself... We are currently living through such a time.”

Peter Drucker, organizational consultant

In a few hundred years, when the history of our time will be written from a long-term perspective, it is likely that the most important event historians will see is not technology, not the Internet, not e-commerce. It is an unprecedented change in the human condition. For the first time - literally - substantial and rapidly growing numbers of people have choices. For the first time, they will have to manage themselves.....and society is totally unprepared for it.

Peter F. Drucker