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On the Cusp

Re-designing complex
communities and

institutions to flourish:

*Can Aotearoa New Zealand
lead the way?*

MJ Kaplan

MJKaplan@KaplanConsult.com

@MJKaplan

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Executive Summary

History reminds us that change happens in cycles. We are in the midst of such a transformation period driven by globalism, complexity, emerging technologies and demographics. Change often happens gradually, then suddenly. Are we on the cusp of that tipping point?

Social enterprise signaled decades ago that capitalism's fixation on profit maximization and growth was contributing to unsustainable and unacceptable social and environmental ills. Social enterprise offered a market correction. But social enterprise is a micro improvement. We must and can rewrite the rules for all our sectors and institutions to design system-level solutions that balance diverse human- and environmental-centered needs. We design the world we get, and it's time for a new model.

Aotearoa New Zealand is paving the way for such a paradigm shift by instituting the Wellbeing Framework. The country has an opportunity to experiment not only with 'what' defines success, but also with 'how' people and institutions co-create approaches to working together to make better-faster-fairer progress. Three lenses open up how we can think about this potential:

- Agile Networks of Networks
- Localism
- Business Recalibrated

Social and economic systems are complex, dynamic and unpredictable; yet we still manage most institutions top-down. Complexity demands that we collectively cocreate, iterate and adapt as we learn. We need persistent feedback loops. We have much to learn from models such as agile, sociocracy and teal. What if we redesign institutional architecture from hierarchy to networks; from predicting to experimenting and adapting; from centralized authority to decentralized decision making? Adaptive models demand information transparency and deep attention to equity and inclusion. Every institution and sector has an obligation to consider its own operating model and how it engages in networks of networks for social impact. A resurgence of localism is another trend that creates new possibilities for social enterprise, innovation and impact. Communities are assessing their unique resources to drive local economic and community development. Local-global partnerships increasingly by-pass national government. Technologies make global relationships possible in spite of geographic distance - a game-changer for New Zealand. Anchor institutions such as universities, hospitals and foundations convene to trigger enterprise and innovation, enable local procurement and craft creative funding models that leverage place-based assets. Can government reframe its role from controller to enabler in this context?

The legal structure of business must change. The growing number and prominence of businesses such as Blackrock or Salesforce that are prioritizing diverse stakeholder needs is positive. But ownership matters. We need new legal forms such as Public Benefit Corporations that are specifically designed to encourage and recognize companies to pursue sustainable growth and social wellbeing. A legal form that aligns with triple bottom line accountabilities is likely to unlock the potential for impact investment.

The field of social enterprise has made great progress in Aotearoa New Zealand in five years. As the Government pursues a Wellbeing Framework, the ecosystem must move beyond incubating discreet enterprises to consider the broader ecosystem of social impact and innovation. New Zealand is ripe to be a lab of diverse networks of networks that co-create, experiment and learn to create better-faster-fairer flourishing communities.

*The world is changing 'gradually,
then suddenly'*

Adapted from The Sun Also Rises, Ernest Hemingway

He waka eke noa
We are all in this together

Introduction

I had a unique opportunity to examine the field of social enterprise in Aotearoa New Zealand in 2013, supported by an [Ian Axford Fellowship](#). The field was fractured and barely visible in New Zealand in contrast to its global traction. My [report](#) highlighted the need for government policy, increased public and private investment, and an education and training pipeline.

Fast-forward to September 2017 when 1600 social entrepreneurs and stakeholders, including over 1000 New Zealanders, coalesced in Christchurch from around the globe to attend the [Social Enterprise World Forum](#). Gathering in Christchurch symbolized resilience in the face of community fragility. We met



in gorgeous rebuilt structures and we also witnessed rampant reconstruction still underway seven years after the earthquake. National pride was palpable at the pōwhiri and throughout the forum. The selection of New Zealand to host this major conference, coordinated by the [Ākina Foundation](#), was a clear sign that social enterprise had gained momentum and stature in a mere few years. The diversity of participants was notable. Was this collision of entrepreneurs and activists a signal of an emergent movement?

Author's Perspective

'Where you stand depends on where you sit.' Miles Law

This article focuses on New Zealand, even though the relevance is global. The audience is people who care about and contribute to regenerating communities – social entrepreneurs, government and business leaders, philanthropists, investors, educators and activists. The ideas are grounded in experience and collaboration, informed by my ongoing work, secondary research and interviews with stakeholders and thought leaders. I am a connector, working across disciplines, geographies and cultures, and the white spaces in between. In *The Practice of Change* Joi Ito, Director of MIT Media Lab, labels this approach “antidisciplinarianism” (p. 110).

I am attuned to the New Zealand context and rooted in the United States. I remain actively engaged in New Zealand, returning regularly through my work with [Loomio](#), [Ākina](#), the [Centre for Social Impact](#), [Enspiral](#) and other organizations. I serve on two relevant boards, [Commerce Rhode Island](#) and [Social Enterprise Greenhouse \(SEG\)](#), and have academic affiliations with [Harvard University Berkman Klein Center for Internet and Society](#) and [Brown University](#). As a practitioner, I am a partner in [The Ready](#), a consultancy that enables companies to transform to become adaptive amidst complexity. [Slavin](#) proposes that designers of complex systems are participants, shaping the systems that interact with other forces, ideas, events and other designers. I consider myself an active participant in this collective story.



Complex social, economic and environmental issues – ‘wicked’ problems’ – demand new frameworks and interventions. Hyper-connected globalism, complexity, emerging technologies, demographics and other factors enable new approaches. Testing and adapting new mindsets, capabilities, structures, networks, policies and tools will lead us to discover better-faster-fairer solutions. The solutions to these urgent crises are the responsibility of every sector and institution. The growing social enterprise ecosystem recalibrates business as a force for good. However, social enterprise is a micro improvement. We must and can rewrite the rules for all our sectors and institutions to design system-level solutions that balance diverse human- and environmental-centered needs. The New Zealand Government’s [Wellbeing Framework](#) provides an extraordinary opportunity. Intention is a first step. The next step is to innovate how to deliver on-the-ground change to realize wellbeing. We have the resources and the talent. Do we have the will?

Social enterprise developments in Aotearoa New Zealand 2013-2017

When I arrived in Wellington in 2013 the government was agnostic about social enterprise, contributing to the field’s fragility. In spite of this insouciance, start-ups sprouted across the country. Of course the concept of funding community initiatives with earned revenues is not new. [Trade Aid](#) has supported farmers and artisans to break out of poverty since 1973. [Kilmarnock Enterprises](#), founded in 1958, provides services such as collating and packing, refurbishing, and electronic waste recycling. Employees, with a range of abilities, receive training, social development and ongoing support to gain confidence, skills and pay. Like all social enterprises, there is a balancing act between the mission, in this case to support employees with disabilities, and a business model based on revenues earned in open markets.

The idea of pursuing trade to support community needs is steeped in [Māori traditions](#) and practices. The Māori term kaitiakitanga means guardianship and protection, and a deep connection and relationship to the land and sea. The principles of manaakitanga (supporting people) and taonga tuku iho mō ngā uri whakatipu (guardianship of resources for future generations) are also consistent with social enterprise. Māori businesses and iwi are often structured on the principle that the pursuit of making money follows ‘doing good’, and is a by-product of cultivating community, environmental sustainability and cultural preservation. Māori social ventures crisscross the country. These include the well-known [Whale Watch Kaikoura](#), Ākau, an indigenous design company working with youth in Kaitaia, and [Patu Aotearoa](#), a national gym franchise designed specifically for Māori and Pasifika to tackle obesity, a health crisis affecting 47% of the population. Some Māori dislike the term ‘social enterprise’, wary of Western language being imposed on a practice that has been integral to their way of life for generations. The World Forum provided a unique opportunity for Māori and Pākehā, together with international participants, to share their different terminology and approaches as well as to explore collective understandings. It was a richly inclusive forum, energized by storytelling, learning, relationship building and visioning. Diversity and manaakitanga built trust, and enabled interactions to be grounded and ambitious.

In 2016 the government issued a [report](#) that stated, “New Zealand has the potential to develop a robust market

of flourishing, capable social enterprise, and to unlock new capital to scale their impact. However, the market is nascent and no strategy exists to support growth.” The report estimated that New Zealand could have 4000 social enterprises turning over \$2 billion yearly by 2025.

In November 2017 the [government made a commitment to invest \\$5 million](#) over three years to grow New Zealand’s social enterprise sector, and the Ākina Foundation was selected as their strategic partner. Ākina partnered with Community Enterprise Network Trust (CENT) to design a programme with four work streams: Engaging with the Social Enterprise Sector; Developing Capability; Facilitating Access to Finance; and Unlocking Access to Markets. [The Impact Initiative](#) launched in May 2018 to coalesce the three-year program.

Lack of access to capital has derailed many fledgling ventures and prompted others to move overseas. Crowdfunding, enabled through 2014 legislation, has played an important role in democratizing investment. These platforms are a low-cost and transparent bridge mechanism for seed financing. [Ethique](#) is a start-up that pursued two successful crowdfunding campaigns in its first five years. Ethique aims to rid the world of plastic bottles by producing biodegradable products such as shampoos and cleansers. Founded in 2012, the company raised \$200,000 equity in just two weeks in 2015 using the platform [PledgeMe](#). This campaign attracted the highest number of female investors in the history of the platform. Just two years later, Brianne West, founder of Ethique, and I were on stage during The World Forum final plenary when she learned that their second crowdfunding campaign had successfully raised \$500,000 in less than two hours. Raising this amount of capital in this timeframe was unthinkable for a social enterprise in 2013.



The Social Enterprise Ecosystem

In 2017, the Ākina Foundation commissioned a [report](#) with contributions from EY and JB Were, to assess the gap in capital markets for social impact. The report concluded, “On a macro-level, increased pressure around issues such as housing, child poverty, and the environment, alongside growth opportunities in enabling sectors such as technology and the Māori economy, have both made the potential, and need, for an expanded impact investment market in New Zealand more tangible and urgent.” According to the report’s Executive Summary, “An analysis of the relative size of the New Zealand economy, charity sector and capital markets suggests a potential size for impact investments of around NZ\$5 billion, a substantial increase from current levels and an opportunity to significantly increase social and environmental impact under a financially sustainable model.” A 2018 [report](#) commissioned by Foundation North accentuates the potential for the not-for-profit sector to allocate a portion of the \$20 billion of revenue it generates each year into impact investment.

To act on these findings, The Ākina Foundation collaborated with [New Ground Capital](#) and Impact Ventures to launch the [Impact Enterprise Fund](#). The first close of the fund was completed in February 2018 at \$8 million with St. John’s College Trust Board and The Tindall Foundation as lead investors. [The National Advisory Board for Impact Investing NZ](#) and [Impact Investment Network](#) formed in May 2018 to play coordinating roles. The 2017 report concludes: “We are in a time of transition, where social, technological, economic, and environmental drivers position the emergence of impact investment as an inevitability rather than a niche market or passing fad.”

Myriad dynamics unlocked the potential for social enterprise to gain traction. Without a doubt, the catalytic role of support organizations – formal and informal – played a determining role. The Ākina Foundation deserves special recognition for its leadership in concert with many other contributors such as [Social Enterprise Auckland](#), [Enspiral](#), [Te Whare Hukahuka](#), [Edmund Hillary Fellowship](#), [Inspiring Stories](#), [Philanthropy New Zealand](#), [Centre for Social Impact](#), [Tū Māia Partners](#), and [The University of Auckland Centre for Innovation and Entrepreneurship](#). Cross-sector partnerships are also increasing. For instance Kathmandu, the global outdoor gear company, joined forces with [UC Centre for Entrepreneurship](#) to sponsor a nationwide student competition focused on prevention of mental health issues through wellbeing. [The Southern Initiative](#) (TSI), instigated by Auckland Council, engages countless partners to pursue innovative interventions in South Auckland. [Immigration New Zealand](#) partnered with the Edmund Hillary Fellowship (EHF) to deliver an innovative new immigration product for high-impact entrepreneurs, investors, and start-up teams. Pioneering entrepreneurs and investors receive a special visa to create and support innovation-based ventures and start-up teams from New Zealand.

But, as Katie Smith Milway asserts in a Harvard Business Review [post](#), even the most successful social enterprises are reaching only a fraction of the need.

“Every social entrepreneur – with organizations large or small – will need to find a way to go beyond making progress to solving the problem. Instead of growing their organizations, they need to think about making the problems go away. As the world shifts from creating value through repetition (building, growing, or serving more efficiently) to a world where change begets change, you need leaders who can make sense of a kaleidoscope of processes and relationships – beyond the four walls of their organization.”

Katie Smith Milway, Harvard Business Review

Honor the past, honestly face the present and boldly envision the future

The New Zealand narrative

Every country has a narrative. Starting in the late 1800s, New Zealand gained the reputation as a benevolent social laboratory with a powerful central government. Though fiercely individualistic, New Zealanders expected collective solutions to address social problems. Government activism inspired an image of progressive enlightenment thanks to countless initiatives that supported elders, farmers, immigrants and others. In response to the Great Depression, the Government once again jumped in, pursuing full employment, free health care and myriad supports that cemented the international profile and self-image of a country that cares for its people.

A series of economic crises in the 1970s led to [reforms](#) that brought this ethos to a crashing halt. The government ushered in swift pro-business reforms such as controls on wages, prices, rents and interest rates. Through the 1980s and 1990s, under both of the main political parties, New Zealand introduced reforms that eliminated many public services and severed the safety net. In 1965, New Zealand ranked as the sixth wealthiest country per capita; fifteen years later, it fell to nineteenth. As social spending declined, poverty, unemployment and income inequality spiked. [From the mid-1980s on, the rich-poor divide widened faster in New Zealand than in any other developed country.](#) A [study by the OECD](#) suggests that rising inequality was responsible for wiping one third off New Zealand's economic growth in the past 30 years. Today the New Zealand narrative is ripe with contradictions. Island paradise? Or land of teenage suicide and childhood poverty?

Wellbeing: An emerging framework

Across the globe there is a tug-of-war over the role of government, the consequences of free markets, the crisis of income inequality and poverty, and myriad other solvable problems. In [Why Nations Fail](#), the authors assert that divergence across the globe results in prosperity for the select few and gut-wrenching poverty leaving 1.29 billion people struggling to live on less than \$1.25 a day.

Business's fixation on profit maximization, fueled by enabling policies, is a fairly recent phenomenon. Post-World War II corporate dominance corresponded to remarkable economic growth, social mobility and relative income equality in developed economies. It was a widely accepted belief that business had a responsibility not only to make a profit but also to balance the needs of diverse stakeholders such as employees and the communities in which they operated. As the economy boomed, the interests of companies, shareholders, society and workers appeared to be in tune.

Since the 1970s we have been designing our systems to do things better and more efficiently, without consideration for the costs and negative impacts that they externalize. We optimize for financial reward. Traditional macro-economic statistics, such as GDP, do not provide a sufficiently detailed picture of the living conditions that ordinary people experience, according to reports by the [OECD](#) and the [World Economic Forum](#). It is the availability of solutions to human problems – things that make life better on a relative basis – that makes us prosperous. This

is why prosperity cannot be properly understood by just looking at monetary measures of income or wealth. To address this disconnect, the OECD developed a [Framework for Measuring Well-Being and Progress](#) and is encouraging countries to adopt some version of these measures to guide policies, investment and progress. The New Zealand Government may be the first in the world to take up the challenge. In 2017 New Zealand Treasury revised the [Living Standards Framework](#) to focus on intergenerational wellbeing, and included four capitals: physical and financial capital, natural capital, human capital and social capital. The indicators build on international best practice and will be tailored to New Zealand and incorporate [cultural and te ao Māori perspectives](#).



OECD Framework for Measuring Well-Being and Progress

Measuring meaningful progress is fraught with challenges. Daunted by complexity, we tend to measure the obvious – what we can see and count. The New Zealand Government needs to acknowledge this risk even as it pursues more balanced measures. No single framework or measurement tool adequately balances coherence and simplicity with the flexibility needed to cope with messy and complex phenomena. Acknowledging these imperfections, we need to strive for dynamic feedback loops, not rigid targets, to assess, learn and adapt: progress over perfection.

New Zealand is developing its 2019 Budget based on the Wellbeing Framework, and equity will be a central value. According to [Deloitte New Zealand](#), a wellbeing budget will fundamentally redefine success for the nation, and has the potential to transform the public, private and community sectors to achieve more meaningful progress. People-centered government decision-making will be key. “Government will have to move beyond consultation and connect deeply with communities on issues they are struggling with.”

Complex systems

There is plentiful literature about the nature of complex systems. We understand that organisms, families, organizations, ecosystems, economies, countries, and the earth itself, are all complex systems. In a complex system there is not a linear cause-and-effect relationship between action and result. The whole is greater than the sum of its parts. It is impossible to accurately predict the results of an intervention because of the dynamic nature of the inter-relationships. Complex systems produce unpredictable surprises.



We often confuse complex and complicated problems. In complicated systems, there is a cause-and-effect link. Complicated problems are controllable. Machines are complicated systems: they are calibrated to diminish mistakes and uncertainty.

To treat complex systems as complicated is a fundamental mistake, an over-simplification. In [Organize for Complexity](#) Niels Pflaeging writes that working on separate parts of a complex system does not improve the whole and may actually damage it. The priority should not be the parts but the interactions. This error, our inclination to focus on discrete components of complex issues, is central to our lack of progress.

In 1972, Donella Meadows warned that unsustainable patterns of growth would wreak havoc across the globe. We have been designing for unfettered growth for 50 years and we can choose to redesign systems to optimize for human and environmental interests. In her 1997 essay [Leverage Points](#), she noted that we try to solve environmental destruction, poverty and hunger with growth, when these problems are themselves a byproduct of growth. Decades of unbridled capitalism and a lack of feedback about environmental impact have led to climate change. Approaching child poverty as a complicated problem rather than a complex one leads us to focus on parts rather than interrelationships, and we fail to make adequate progress.

“We have been designing for unfettered growth for 50 years and we can choose to redesign systems to optimize for human and environmental interests.”

Donella Meadows

[Darren Walker](#), President of the Ford Foundation emphasizes these interrelationships:

Whether we debate particles of carbon per million, or the widening gap between rich and poor and inequalities based on race, gender, physical ability, citizenship and migration status, these global crises are actually the same conversation. To make progress, we must see them as inextricably linked. The same economic forces that deplete natural resources and worsen climate change also deepen inequality for poor and rural communities worldwide. And the same systemic flaws that drive inequality – prejudice, discrimination, lack of political influence and disregard for human rights – leave these communities without the influence to protect the resources that we all need to slow climate change.

Complex problems require adaptation because they involve too many unknowns and interrelated factors to reduce to strict plans or rules. Learning and improvement depend on continuous cycles to test, assess, learn, and iterate. We must change the mindset out of which the system, goals, structure, rules, and parameters arise (Ito, p. 79).

Accelerating solutions: Three lenses

The consequences of climate change, inequality and other complex ills require new models for how we govern our nations and institutions. Every sector and institution has an opportunity and an obligation to rethink its core assumptions, structures and behaviors. With the Wellbeing Framework, the New Zealand Government is boldly testing a whole new paradigm to guide policies, investments, and partnerships. The design for how to operationalize these imperatives needs to be just as bold to translate intentions into actions. Following are three emerging lenses to guide these developments: Agile Networks of Networks; Localism; and Business Recalibrated.

AGILE NETWORKS OF NETWORKS

The community sector is collaborative by nature, a spectrum that ranges from informal co-creation to formalized partnerships. [Government](#), especially at the national level, is centralized, with policy and planning that is enacted top-down. Entrepreneurs pursue their ventures quite autonomously. Complexity demands that these institutions of government, community and business work not in isolation from each other, let alone at cross-purposes, but reinforce each other's efforts. Mutually reinforcing initiatives optimize strategic investments, emergent insights and faster progress. This web of hyper-interrelated players is unbelievably messy. Is it possible for these extraordinarily diverse efforts within and across the sectors to operate collectively? What is the architecture that makes this possible?

New methodologies such as agile transformation and self-management are gaining traction in the private sector among start-ups and multi-national enterprises alike. Market disruption compels businesses to become more adaptive – it’s a matter of survival. How do these responsive approaches apply to a social systems context?

There are a number of models, practices, tools and case studies to draw from such as [Agile Transformation](#), [Teal](#), [Sociocracy 3.0](#) and [Holocracy](#). I do not endorse any one methodology; rather, I recommend that people explore the principles, practices and tools, and experiment with them.

Cross-sector networks are not bounded entities such as businesses so there will be nuances in how the models are shaped, especially governance. Funders – government, investors and philanthropy – need to adjust their roles to shift from traditionally dominant positions to those of co-creators. Power needs to be shared and distributed. Sustained authentic relationships, [trusting relationships](#), drastically increase the potential for scaling impact. These approaches work when they are deeply human-centered and tech-enabled.

These are foundational features to guide adaptive progress amidst complexity:

- **Shared purpose** – all parties understand and endorse the ‘North Star’ that they aim to achieve.
- **Decentralized groups** - work happens in groups that are small enough to develop highly trusting, productive relationships and exceptionally creative outputs. [Google’s Project Aristotle](#) elucidates relevant research on superior teams.
- **Distributed authority** – decision-making, resource allocation and other accountabilities that are generally controlled through a chain of command are decentralized to empowered teams.
- **Membership** - team composition is intentionally diverse, a requirement for innovation. There is fierce commitment to work through equity and inclusion issues skillfully and respectfully. It is especially important to engage people whose lives are most affected by social policies, and to create space for them to contribute actively and powerfully.
- **Information** – information is shared transparently. Open information is the default.
- **Adaptive strategy and learning** – teams use disciplined cycles to prototype, test, evaluate, learn and iterate solutions, and adjust strategy. Scharmer calls this approach leading from the future as it emerges.
- **Technologies** – technologies are optimized for collaboration, workflow, data analysis, and to leverage unique human capabilities.
- **Networks of networks linkages** – specific roles and tools connect and support interrelationships. Analysis is geared to patterns and interrelationships to inform strategy, policy and investment.



[Buurtzorg](#) is an innovative home health organization founded in the Netherlands. Starting with one group of nurses, it pioneered a self-management model in 2007. Teams of nurses handle every aspect of the business. In ten years Buurtzorg scaled to 850 self-managed teams and 10,000 nurses. Client satisfaction, employee engagement and financial results are stellar. The company saved 40% for the Dutch healthcare system. Buurtzorg has expanded to [24 countries](#) and is revolutionizing not only patient care but also a model for self-management at scale.

New research on social impact networks informs the development of the field. The European Commission funded a four-year [study](#) to develop a theory of transformative social innovation related to empowerment and change in society. This robust research includes [case studies](#) of 20 transnational networks including: [Ashoka](#), [FabLabs](#), [Credit Unions](#), [Participatory Budgeting](#), [The Impact Hub](#) and [Shareable](#). Networks of networks spread ideas, values, relationships, practices and funding.

[Global action networks](#) are multi-stakeholder networks that span geographical, institutional, and sector boundaries to effect systemic change. They harness technological connectedness to create new multi-sector networks where governance is shared. Solutions focus on breakthroughs that change the rules of the game. Examples of global action networks include [the Global Fund to Fight AIDS, Tuberculosis, and Malaria](#), which has increased access to effective treatments, saving 27 million lives; the [Forest Stewardship Council](#), which has certified 300 million acres of forests and engaged 16,000 businesses in 100 countries to sell certified products. These networks go beyond ‘scaling up’ to ‘scaling across’ geographies and reconceiving systems, so that change is both meaningful and transformational.

The Skoll, Ford, and Draper Richards Kaplan Foundations, Porticus and Rockefeller Philanthropy Advisors are investigating how to invest longer-term, adaptive resources to accelerate scalable solutions. The 2017 report, [Scaling Solutions toward Shifting Systems](#), asserts that funder behaviors that undermine grantees’ ability to achieve their missions are “norms not grounded in formal policies, tax laws, or governance requirements, but rather practices that have nonetheless become ingrained in the sector.” Funders have a responsibility to examine detrimental mindsets and practices. A growing number of [grantmakers](#) is examining race and economic privilege so that they can better understand problems and advance more effective social change.

Every institution has an opportunity to challenge the status quo in its own organization. Government is no exception. [The Belgian Federal Social Security Service](#) has been addressing layers of bureaucracy that interfere with client-centric impact. This agency is responsible for assessing and allocating allowances to people with disabilities. They restructured operations to form a network of multidisciplinary teams that have all the expertise required to meet clients’ needs. Productivity has increased by 10% and the agency is the preferred employer for 92% of Belgium’s public administration graduates, up from 18% prior to the transformation.

“Business innovation produces some kinds of transformation well, and government policy innovation does others. Each has limits. But many imperatives sit in the space between the two modes.”

Roger Martin and Sally Osberg write in [Getting Beyond Better](#),

Networks such as [Smart Cities Council](#) aim to bridge this divide to leverage technology innovation in the public sector. The smart city [industry](#) is projected to be a \$400 billion market by 2020, with 600 cities worldwide. Cities all around the world work with big data specialists, developers, designers, strategic thinkers and innovators to make city living better. IBM, Cisco, Schneider Electric, Microsoft, Hitachi, and Oracle are a sampling of companies

The Netherlands is mostly below sea level, yet they have not had a flood since 1953 when a disastrous storm caused 2000 deaths. In response to the disaster, the government invested in engineering expertise to prevent future floods – far more cost-effective than disaster recovery. The Dutch Government appointed Henk Ovink as Water Ambassador in 2015. He advises the United Nations, 35 countries and countless cities, advocating for flood prevention. This is an example of the influence one critical connector can play to transfer expertise, influence change-makers and ideally shift investment to prevention to avoid massive recovery costs, lost lives and trauma.

that work on smart city projects. Startups are actively designing public sector solutions. [Bigbelly](#) provides a solar-powered compacting waste bin that allows for up to five times the amount of waste as in a traditional bin. Citymapper pulls in public transport information and provides multi-modal transport options to get users to their chosen destinations. [TZOA](#) uses internal sensors to measure air quality, temperature, humidity, atmospheric pressure, ambient light and UV in one wearable device.

Digital technology is elevating citizens' and employees' expectations of government – people expect services that are user-centric. Governments grapple to meet this demand amidst a proliferation of emerging technologies such as [artificial intelligence](#), [blockchain](#), [virtual reality](#) and [big data](#). Government needs to harness new technologies more rapidly to reimagine solutions and operational models. It is inevitable that these solutions will be discovered and scaled through diverse networks of networks.

Social movements are also an important part of the ecosystem that influences change efforts, even more so amidst global social media. Black Lives Matter, #MeToo and Youth Uprising To End Gun Violence have gained substantial attention and made inroads into public opinion and policy change in the U.S. Increasingly, these movements

[Enspiral](#) started in 2010 as an informal collective of social-change activists in Wellington. As Enspiral grew, the network experimented with distributed leadership. Enspiral supports hundreds of people to launch and build all sorts of initiatives, projects and world-changing ventures. During the same time period, a group of people interested in a collaborative economy formed [OuiShare](#) in Paris. The OuiShare network grew organically and includes 13 nodes in Europe, South American and the Middle East. With related missions, contributors to Enspiral and [OuiShare](#) started bumping into each other online and in person all over the world. These relationships spawned new ideas, projects and events. OuiShare uses [Loomio](#), an Enspiral venture, to collaborate remotely. [GreaterThan](#) is a start-up developing finance tools such as [CoBudget](#), a transparent system for collectively allocating funds. GreaterThan's co-founders are Enspiral and OuiShare members. This is just one example of how webs of relationships, ideas and projects expand their collective reach and potential.

pursue intersectional alliances, appreciating the underlying shared values and the power of mutual support. Many movements are simmering below the radar, locally rooted and globally connected in trans-local networks. Meta-networks such as [ECLOSE](#), European Network for Community-led Initiatives on Climate Change and Sustainability pursue synergy among participants to amplify their message, their constituencies and their impact. The Hemingway quote at start of this article states that change happens gradually, then suddenly. Movements, in particular, can trigger these tipping points.

Localism

Responsibility for addressing some of the world's hardest challenges is being pushed down to cities and metropolitan areas, often without resources or structural authority. Problem solving is increasingly bottom up and delivered by the types of networks described in the previous section. Increasingly, national government is perceived as dysfunctional, and fueling the problems of local communities rather than contributing to solutions. Technologies enable change-makers to build relationships and co-create solutions with virtually any ally across the globe.

“Power is drifting downward from the nation-state to cities...horizontally from government to networks of public, private, and civic actors, and globally along transnational circuits of capital, trade and innovation,”

According to the authors of [The New Localism](#)

The nexus of localism and globalism ignites innovation and impact without the interference of government. While this phenomenon may be more descriptive of cities in The United States and Europe, there are lessons for New Zealand.

Bruce Katz, co-author of [The New Localism](#), works with communities to understand their unique assets and to use these features to craft novel solutions. In Rhode Island, for instance, he proposed targeting advanced industries to build on the state's fabrication traditions, premier academic institutions, and unique assets such as a large port and access to New York and Boston. The state's small size makes relationship building practical. Its diversity is a key ingredient for innovation and entrepreneurship. The state's attempt to pursue networked localism is still unfolding – early indications are that these approaches are paying off.

Anchor institutions play critical roles in local transformation – universities, hospitals, foundations and municipal government. For instance, in Cleveland a consortium of anchor institutions incubated [Evergreen Cooperatives](#) in 2012. Evergreen is the umbrella structure for three cooperative businesses, a for-profit business development operation and a sustainable investment fund. Employee ownership is central to this intervention, designed to create community wealth.

Pittsburgh, Pennsylvania spiraled downward with the collapse of the steel industry in the 1980s. Ironically, its revival started with a disaster, the 1979 Three Mile Island Nuclear Reactor meltdown. A professor and his students designed three robotic machines at Carnegie Mellon University to clean up the radioactive facility. This success galvanized a steady influx of global talent and development in robotics that is unrivaled today. Civic leaders built dynamic horizontal and vertical networks across academia, government, private industry and global talent streams.

"The city began to think like a system and act like an entrepreneur"

According to Katz

It took a long view of the economy, and invested in education, workforce development and its distinctive neighborhoods. Today Pittsburgh, nicknamed 'Roboburgh', has a reputation as a tech hotspot and Forbes named it the 'new cool.' However, not all residents are experiencing this upswing. As is often the case, people of color and others facing endemic obstacles are not benefitting from the city's renaissance. Gentrification has pushed many African Americans to relocate. There are large areas of concentrated, persistent, and largely black, poverty. These distinctive low-income neighborhoods are often overlooked, isolated and stuck in poverty, according to urban policy researcher Alan Mallach in *The Divided City: Poverty and Prosperity in Urban America*. Inclusion must be a high priority as communities pursue economic and community revival.

[Collective Impact](#) is a high-profile framework to coordinate and improve social impact at the local level. It was introduced in 2011 by [ESG](#) and rapidly gained popularity across the globe. The model is controversial among some community development practitioners who believe the approach is too simplistic, overlooks stakeholder engagement and lacks attention to policy change. Ironically, the Cincinnati agency



that was featured in the first major [article](#) about Collective Impact does not endorse the model. The critique by [Strive Partnership](#) stems from concerns about elitism. They assert that the Collective Impact approach fails to dedicate time, energy and skill to inclusion. Strive takes a long-term view of social change and builds partnerships based on trust and inclusion. The controversy about Collective Impact is a reminder that models that are promoted by external third parties may not always serve the best interests of local stakeholders.

The [Business Alliance for Local Living Economies](#) (known as Balle) promotes best practices for building local, more equitable economies. They founded the Local Economy Foundation Circle in 2014 to support 50 philanthropic leaders, with combined resources of \$8 billion, to rethink their approach to investment, a critical engine for resilient communities. They educate philanthropists about [race and equity](#) and help them analyze the alignment of their investment portfolios and their values. Among the U.S.'s 750 [community foundations](#) with assets ranging from \$3 million to \$8 billion, Foundation Circle program participants have allocated \$100 million to be mission-aligned. This small start reflects a fresh mindset in philanthropy.

Ecosystem connectors play a critical role in enabling networks of networks. [Inspiring Communities](#) has devoted ten years to enable community-led development in Aotearoa New Zealand. As part of this milestone, they adapted core principles to integrate a Te Ao Māori lens. This [paper](#) provides insights about their experience with community-led transformation.

Recalibrating business

The recession of 2008 derailed capitalism's omnipotence and triggered a cry for a more conscious form of capitalism. The mindset among many in business shifted from how to be responsible corporate citizens to how to intentionally pursue positive impact in an increasingly fragile world. Michael Porter and Mark Kramer elevated this clarion call in a pivotal article they co-authored on shared value, in the [Harvard Business Review](#) in 2011. Business optimizes short-term financial results, a narrow approach to value-creation. The private sector is overlooking "the greatest unmet needs in the market as well as broader influences on their long-term success. Why else would companies ignore the wellbeing of their customers, the depletion of natural resources vital to their businesses, the viability of suppliers, and the economic distress of the communities in which they produce and sell?"

This call to action prompted a number of companies to reconsider their business models through a social and environmental lens. For instance, U.S.-based [CVS Health](#) made a bold decision in 2014 to remove cigarettes from their stores, anticipating a loss in sales of \$2 billion. One in four American adults uses tobacco, and smoking is the leading cause of preventable disease and death in the U.S. This corporate action may have had a more beneficial result than government and nonprofit smoke-ender campaigns combined. Salesforce CEO Marc Benioff has been using his company, worth \$57 billion, as a platform to take a stand on social issues. Benioff fought North Carolina's 'bathroom law' that prevents transgender individuals from using public bathrooms that don't match their biological gender. He said, '[executives need to stop being exclusively shareholder-based to focus all about the stakeholders.](#)' Major retailers in the U.S. are removing assault-style guns in response to ongoing mass shootings. Nike recently took a controversial stand with racial overtones. The company revived its 'Just Do It' campaign featuring former football quarterback Colin Kaepernick who took a knee while the national anthem played during a football game in 2016, protesting the way policing treated African-Americans. Despite the controversy, the ad campaign tapped a positive nerve for a new generation of consumers who care about social issues and support Nike's brand. The stock was at an all-time high two weeks after [Nike](#) launched the campaign.

In January, Larry Flink, CEO and Chairman of BlackRock, the largest asset management company in the world with more than \$6 trillion, wrote a blunt [letter](#) to executives, espousing the idea that companies must serve a social and environmental purpose.

We see many governments failing to prepare for the future, on issues ranging from retirement and infrastructure to automation and worker retraining. As a result, society increasingly is turning to the private sector and asking that companies respond to broader societal challenges. Indeed, the public expectations of your company have never been greater. Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate. Without sense of purpose, no company, either public or private, can achieve its full potential.

A [Deloitte study](#) suggested that this trend is more than a brand exercise. Businesses today are entering a whole new paradigm which considers a business less as a company and more as an institution that must be integrated into the social fabric to contribute positively to the world.

However, entreaties such as Flink's are not adequate. Ownership matters. Private companies such as [W.L. Gore & Associates](#) pursue balanced priorities, independent strategies, and a long-term view. Founded in 1953, Gore

encourages its employees to push the edges of innovation. The company's 9500 employees have stock options and their ownership drives outstanding results. They are consistently rated a best employer, and more than \$3 billion in annual revenue reflects their status as one of the largest private companies in the U.S.

As baby boomers retire, some businesses are transferring ownership to employees. In the U.S. Employee Stock Ownership Plans, ESOPs, enable workers to take out a loan to purchase shares and use the proceeds of the business to pay back the loan. Employee-owned companies tend to be profitable and have fewer layoffs, and employees are highly engaged. Perhaps ESOPs are more inclined to trade off lower profits or slower growth to invest in employees, sustainable operations and community citizenship. The grocery [Publix](#) is the largest employee-owned company in the U.S., with over 175,000 employees and \$2.3 billion profit on \$34.6 billion in sales in 2017. They are consistently awarded top [honors](#) such as employee and customer satisfaction, and corporate responsibility. [New Zealand](#) also faces a surge of retiring baby boomers. Twenty per cent of New Zealand business owners are currently planning to sell within the next two years, and new rules for share schemes make them easier to set up and implement.

Cooperatives have become major forces in the banking, insurance and retail industries, [employing more than 100 million people](#) around the globe. Most coops are founded to address a societal ill, making them predisposed to tackle issues beyond the scope of traditional business. [Research](#) indicates that cooperative businesses stabilize communities, generate jobs and wealth for workers, and develop human and social capital. When employees have an ownership stake in cooperatives they are more likely than other businesses to employ sustainable business practices. Profits are more likely to circulate in the local economy and member-owners have more potential to accumulate wealth that exceeds regular wages.

[B Lab](#) formed in 2006 to support companies to pursue diverse results that include environmental, employee, social impact and financial criteria. [Public Benefit Corporation](#) is a legal form in 34 U.S. states that encodes social and environmental accountability into the legal structure. These companies are required to consider the impact of their decisions on their workers, customers, community and environment. Certified B Corporations meet the highest standards of verified performance and transparency. Companies that focus on [balanced metrics](#), rather than short-term profits and growth, outperform businesses that focus more narrowly on profit maximization. They also score better on non-financial criteria such as employee engagement and diversity. Is the time right for New Zealand to consider a new corporate form such as Benefit Corporation?

B Lab also oversees a certification for companies that meet voluntary criteria such transparency, accountability, sustainability and performance. This 'B' designation is a signal to the marketplace that a business achieves a certain threshold of triple bottom line. There are approximately 2600 organizations in 60 countries that are B certified. Patagonia is one of the most high-profile companies to be B certified and structured as a Public Benefit corporation. B Lab also has a [rating system](#) that supports the growth of impact investing for sustainability.

Rhode Island's Social Enterprise Greenhouse developed a partnership with B Lab. We launched an outreach [campaign](#) to engage local businesses to take an abbreviated B Lab assessment to gain awareness of their operations, relative to sustainability criteria. As a social enterprise intermediary, our decision to pursue this strategy was controversial. Some board members worried that businesses would exploit the affiliation for public-relations value. Results from the 'minimum viable' pilot exceeded expectations. Last month, the Chamber of Commerce [honored](#) six businesses that excelled in their pursuit of stronger social and environmental impact. We are designing major expansion of the program in hopes that every business in the state will begin their social impact journey.

For businesses owned by shareholders and governed by boards, those with decision rights determine priorities.

The notion that profit maximization or ‘shareholder primacy’ as a legal requirement is a fallacy in the U.S.

[Forbes](#) describes shareholder primacy as a “source code error in the operating system of capitalism.”

The [widespread belief](#) that corporations’ sole obligation is to maximize profits has contributed to concentration of wealth, the impoverishment of workers, environmental harm and reduced long-term profitability.

[New Zealand, in contrast, currently has a shareholder-centric model.](#) Mission-driven and other socially conscious businesses, impact investors and social entrepreneurs are constrained by an inflexible legal framework that does not accommodate for-profit entities whose mission and impact is central to their business model. This model is a barrier for social business growth in New Zealand.

Investment is often the lynchpin to breakthrough innovation or scale. The Global Impact Investing Network, [GIIN](#), estimates that impact investments worldwide now total \$228 billion, twice the level of just one year before. Australia’s impact investment market [grew](#), from just one deal in 2010, to 92 deals and over A\$1.2 billion invested by the end of 2015. One challenge of impact investing is not just risk, but time. Often, companies seeking social and environmental returns actually earn solid financial returns, but they may not earn enough quickly enough to buy out investors for a number of years. Some funds are turning to a “patient capital model,” meaning an offering that is longer than the traditional 10-year venture capital lifespan. “The tricky part is finding [investors] who are patient as well,” according to David Griest, managing director at [SJF Ventures](#). [Acumen Fund](#) paved the way for patient capital, beginning in 2001. “Our desire was to transform the world of philanthropy by looking at all human beings as members of a single, global community where everyone had the opportunity to build a life of dignity. The organization would invest ‘Patient Capital,’ capital that bridges the gap between the efficiency and scale of market-based approaches and the social impact of pure philanthropy, in entrepreneurs bringing sustainable solutions to big problems of poverty.” Acumen’s typical investment is a range from \$300,000 to \$2,500,000 in equity or debt with payback or exit in roughly seven to ten years.

While impact investing totaled \$228 billion last year, there were [\\$84.9 trillion in investments under management globally as of 2016](#),

PricewaterhouseCoopers.

In other words, impact investment is still only one-quarter of one percent of all investment. Impact investment is part of an emerging asset class that has the potential to generate serious deal flow, test new ideas, or expand into new markets, and in the process contribute to solving some of the most intractable environmental and social problems of our time.

Will companies be virtuous on their own or are governing frameworks and policies required to hold them accountable? The dominance of a handful of technology conglomerates suggests that, at a minimum, regulation is in order. The ‘Frightful Five’ – Apple, [Amazon](#), [Alphabet](#), Facebook and [Microsoft](#) – are worth a combined \$2.87 trillion. These tech giants pursue illusory, unlimited growth that is causing untold negative consequences such as loss of privacy, poor labor practices, and hacked elections. These platforms and copycats such as Uber and Airbnb predicate their zeal on unlimited growth, the prevailing assumption of mainstream economic models.

Yet growth – the uncontested, core command of the digital economy – is unsustainable,

[Douglas Rushcoff](#)

Brian Beckon of [Cutting Edge Capital](#) embellishes, “Our collective challenge is to help investors and business leaders to understand that a balance must be struck that honors intellectual capital, human capital, stakeholder capital, and financial capital. When any one of those takes precedence, there are unintended consequences that damage the entire ecosystem of capital.”

Conclusion

We are at a critical crossroad as a world community. There is a swell of momentum to recalibrate our mental models, policies, processes and approaches to economic and community development to be human-centered. There are strong countervailing forces. It is understandable that people protect what they fear they may lose as a result of change. Today, most people are losing. Our children and our children's children will suffer even more if we are not bold and courageous.

Aotearoa New Zealand is leading the way by pursuing wellbeing as a framework for defining what matters.

Will each institution play its part?

We design the world we get.

Aotearoa New Zealand is embarking on a journey that may guide the world toward more inclusive, flourishing communities. The world is waiting to learn what is possible.

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