A Whole New World:

Funding and Commissioning in Complexity

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ABOUT THE AUTHORS

About Collaborate

Collaborate is a social consultancy that helps services to the public to collaborate to tackle complex social challenges.

Issues such as rising inequality, multiple needs, devolution and fairer economic growth require collaborative responses. We create partnerships that get beyond traditional silos to deliver credible change on the ground.

We are values-led, not for profit and driven by a belief in the power of collaborative services as a force for social and economic progress. Our clients and partners span local government, NHS, civil society and the private sector. For more information, see collaboratecic.com

About Newcastle University

This research has been supported by KITE (Centre for Knowledge Innovation Technology and Enterprise) and Open Lab at Newcastle University.

KITE is located in the Newcastle University Business School with links across the University. It has expertise in the areas of: innovation, entrepreneurship, information systems and collaboration/partnership. KITE provides a focus for the University's relationships with the worlds of policy and practice in these areas, and its members make significant contributions to academic debates and influence thinking in business, government and third sector bodies at local, national and international scales.

Open Lab is a human-computer interaction, social and ubiquitous computing research group in the School of Computing Science. It has a particular expertise in the configuration and conduct of cross-disciplinary research and application of digital technologies to real-world problems ranging from health and social care, to the creative industries, education, and local democracy. At the heart of all Open Lab's research is a commitment to the experience-centred and participatory design of digital technologies that enhance rather than diminish our experience of the world.

ABOUT THE FUNDER

The Big Lottery Fund is the largest funder of community activity in the UK. It puts people in the lead to improve their lives and communities, often through small, local projects.

It is responsible for giving out 40% of the money raised by National Lottery players for good causes. Last year it awarded £583 million and supported around 12,000 projects across the UK for health, education, environment and charitable purposes.

Since June 2004 it has awarded over £8 billion to projects that change the lives of millions of people.

FOREWORD

I'm delighted to welcome this timely report: *A Whole New World: Funding and Commissioning in Complexity*. Our lives are complex. We are complex individuals, living in assorted communities, dealing with varied challenges – which are particular to us and yet may also be universal – and trying to navigate our way around often rigid systems.

Too often, those who hold power – and resource – attempt to dilute these complexities. They have looked to make the challenges come to them, to fit their model and to tick their box, to define their work on the basis of what they want, rather than what's right for the community.

But we are seeing a shift. The interviews undertaken for this report show that funders and commissioners recognise that change is happening, and they are seeing this manifested in their own organisations. Recognition of complexity, and working with it, rather than against it, is becoming more common. It should become the norm.

Part of this shift is taking responsibility for our impact beyond our immediate sphere of influence, acknowledging that what we do affects not just those we have a direct relationship with, but the wider ecology as well. We are not lone rangers, and we shouldn't seek to be. Our strength lies in positive collaboration, in honesty, openness and generosity in sharing what does and doesn't work – and in hearing, acknowledging and responding to others' views on this, too.

Those who hold power should take a collaborative and generous approach to leadership – thinking about their role as part of a bigger whole. They should be willing to be flexible and take risks, to see and value the complexity of the problems they are trying to address.

Welcoming the knottiness of the world feeds into a more equitable relationship between funders and communities – valuing learning and improving, rather than proving; asking what matters, not what's the matter; and putting people in the lead, instead of prescribing the solution.

As the report explores, this isn't the easy path. It takes time to build relationships and trust. It requires us to be people-driven rather than focused on process, and to take decisions which require professional judgement and empathy, instead of relying on the safety of detailed criteria. We'll need to reassess how we ensure accountability. And we need to create a more community-led response to the challenges we face.

Dawn Austwick
Chief Executive
Big Lottery Fund

EXECUTIVE SUMMARY

"Today, the world seems to be suffering from complexity fatigue, whose symptoms are a longing for simple answers and a world free of interdependencies, with clear voices that 'tell it like it is', a world with lines drawn, walls built and borders closed. Bringing back a sense of excitement and purpose in mastering complexity may be the first 'wicked' problem we should tackle..." Bill Below, OECD (2017)

If the current political context teaches us anything, it is that we are in complex times. Complexity of need is increasing and old certainties about the role of state, economy and society are being thrown into question. Our assumptions about what people want, need and aspire to, are changing. Our places are recognised as complex systems, influenced by many but controlled by none.

Nonetheless, much of the public sector, and some in the charitable foundation world, march on regardless. We are in a world of fictional 'transformations' that start with a problem, deliver a service and expect a result. This is both damaging and endemic. It is demotivating and stressful for frontline workers and creates a disjointed, disconnected and often impersonal experience for the service user.

We have collected evidence which suggests that an alternative is emerging. From research interviews with a vanguard of charitable foundations and public sector commissioners, we have seen a complexity-friendly version of funding and performance management emerging, which seeks to make this work more **human** and more **systemic**.

The emergence of this thinking and practice is messy, and there is no simple model that encompasses it all. However, this report describes aspects of these ways of working and offers them as anchor points amongst this messiness: as points of reference for those seeking to understand what working in this way involves. There are three shifts in thinking and practice which underpin this:

Motivation

Working in this way assumes that those doing the work of social interventions are intrinsically motivated to do a good job. They do not require 'incentivising' to do the right thing. Instead, they need help and support to continuously improve their judgement and practice.

Learning and adaptation

Working in this way assumes that learning is the mechanism to achieve excellent performance and continuous improvement. Learning comes from many sources – from measurement and analysis, and also from reflection on the sense-making and judgements we make every day in situations of uncertainty. This new paradigm views learning as a feedback loop which drives adaptation and improvement in a system.

System health: quality of relationships

Outcomes are created by people's interaction with whole systems, not by particular interventions or organisations. Funders and commissioners working in this way take some responsibility for the health of the system as a whole, because healthy systems produce better outcomes. They take a system coordination role. They invest in network infrastructure which enables actors in the system to communicate effectively; they invest in building positive, trusting relationships and developing the skills of people who work in the system.

All this is underpinned by a **realistic** and unflinching acceptance of the complex messiness of the world as it is, and rejects the idea of oversimplifying problems to make management of social interventions easier.

We learnt about this way of working from interviews with charitable funders and public sector commissioners, and by analysing their responses using the insights of Complexity Theory. In order to help interviewees speak freely about their practice, we promised them anonymity; so you won't find case studies in this report. What will you find are pointers towards a new way of answering the question: "How should organisations which have a desire to help improve people's lives, and resources to allocate to achieve this goal, manage the distribution of those resources most effectively?"

"IT IS UNQUESTIONABLY A BETTER WAY TO DO BUSINESS"
(Public Sector Commissioner)

This research has uncovered some elements of a new way of thinking and working about how to manage resources to achieve this social good. We think it's helpful to view this as an emerging paradigm (see page 08) – a way of understanding both the how and why of working in this way. But our understanding of this paradigm is at the earliest stage. There is much more to be done to explore, expand and refine these ideas, and to understand how they work in different types of places and funding contexts. Collaborate and Newcastle University Business School will be working together in the future to explore this world more fully. We would love you to join us for this exploration.
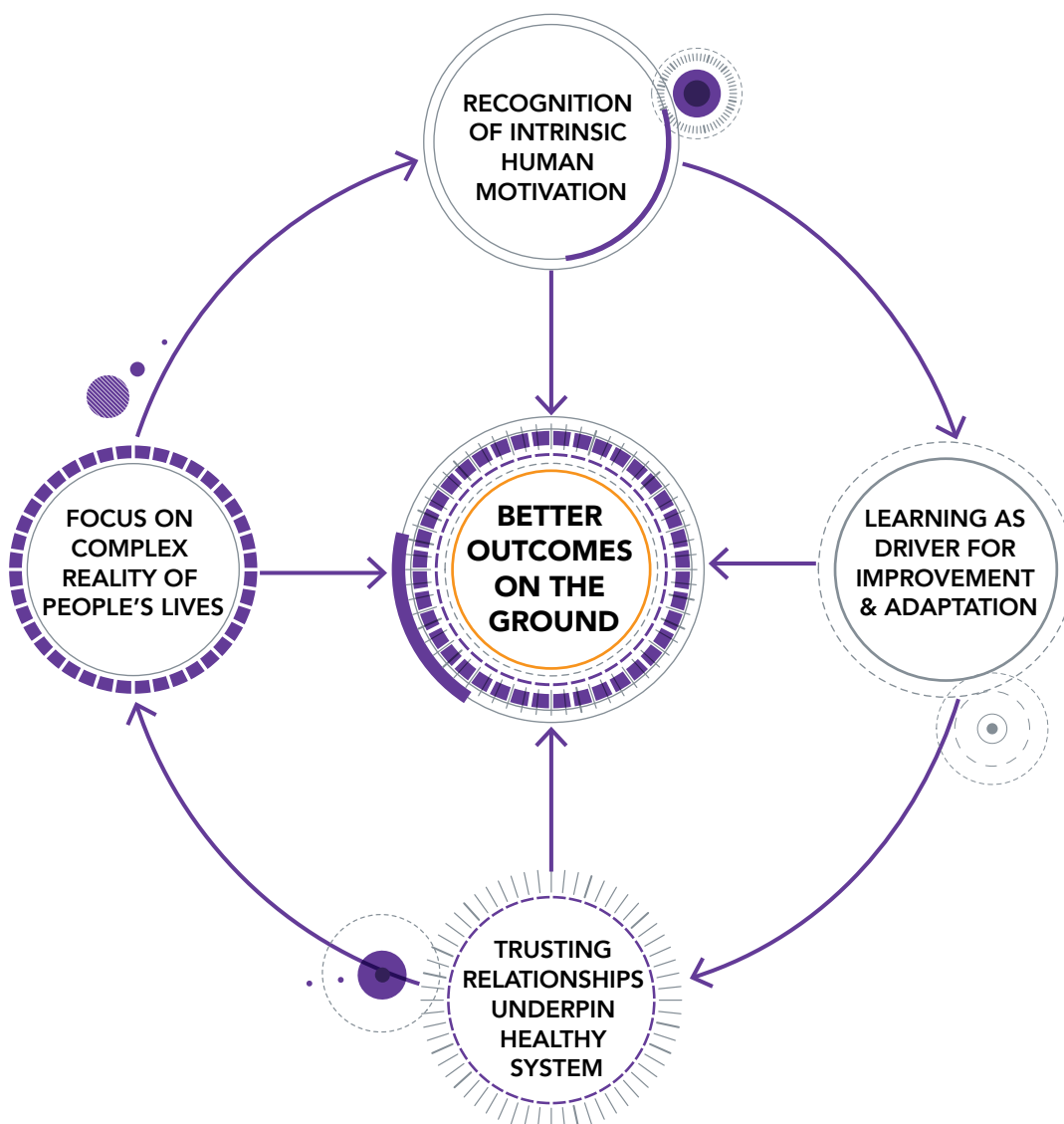
BACKGROUND

CONTEXT

How should organisations which have a desire to help improve people's lives, and resources to allocate to achieve this goal, manage the distribution of those resources most effectively? This is the shared concern of both charitable funders and public sector commissioners, and is the question at the heart of this report.

The way that social interventions are funded, and how the management of performance is undertaken, is varied both across and within the public and philanthropic sectors. The expectations and requirements of the two are of course distinct, with different accountability drivers and different governance mechanisms. And yet both share a common desire to use their resources to achieve social goals. How best should they do that?

There is a long history of debate and discussion of this question. For the last 40 years or so, this debate has been framed by the New Public Management (NPM) paradigm (see inset). The latest evolution of this thinking is the idea that funders should be concerned with how their resources achieve particular 'outcomes' or 'impact', and that they should use measures of outcomes as the basis for their decision-making about who they fund, and how they should manage the performance of those organisations they support.

In the public sector, this takes the form of Outcomes-Based Commissioning, and, in particular the use of Payment by Results and Social Impact Bonds (Cabinet Office, 2011).

Amongst charitable funders, 'outcome-oriented' philanthropy – often referred to as 'strategic philanthropy' – has also become widely recognised practice (Brest, 2012). The Big Lottery Fund, for example, has previously described itself as an outcomes funder (Big Lottery Fund, 2009) and has created grant giving programmes explicitly designed to promote outcomes-based commissioning, such as the 'Commissioning Better Outcomes Fund' (Big Lottery Fund, 2014). Other foundations have explored this type of practice, such as the Oak Foundation producing 'how-to' guides for commissioners and delivery organisations to operationalise Payment by Results (see for example Webster, 2016) and the Calouste Gulbenkian Foundation

and NESTA's support of the Reconnections SIB in Worcestershire (Social Finance, 2016).

Underpinning strategic approaches has been a greater focus on measuring impact with New Philanthropy Capital an undoubted leader in this respect with their Inspiring Impact programme. This has created reports on the uptake of impact measurement by the voluntary sector (Ógáin, Lumley and Pritchard, 2012) and has produced a range of blogs and events which seek to build voluntary sector organisations' capacity to measure their impact (see, for example NPC, 2013).

NEW PUBLIC MANAGEMENT (NPM)

A dominant force – a paradigm – has exerted considerable influence over the management of social interventions for the past 40 years. Called 'New Public Management', it is the dominant framework for understanding how social interventions should be given the resources to undertake their work and how their performance should be managed. It has been characterised as 'three Ms': Markets, Managers and Measurement (Ferlie et al, 1996)

- Markets – the creation of markets for social interventions helps to drive innovation and efficiency
- Managers – social interventions must be overseen by people with training in professional management practice. Managers' role is to identify what success looks like (strategic management) and to hold subordinates accountable, through performance management, for delivering it.
- Measurement – Metrics must be created which identify what success and failure look like, and performance must be measured against these metrics.

The roots of NPM lie in 'Public Choice Theory' (Buchanan and Tullock 1962). Public Choice Theory argued that the intrinsic motivation of those who undertake social interventions cannot be trusted to produce effective and efficient public services. Instead those people must be extrinsically motivated – through the incentives created by market forces, and through the use of performance targets.

The need for a new paradigm

There is an increasing recognition that the current paradigm, particularly within the public sector, does not enable people to respond effectively to the challenges of a complex world. People's lives are complex, and our places are complex systems (Below, 2016). Unfortunately, in complex environments, making funding and performance management choices on the basis of outcome-metrics produces a paradox: when funders make choices on that basis, it makes producing real outcomes in people's lives more difficult (Lowe and Wilson 2015).

In the public sector world, studies of Outcomes-Based Commissioning show that it only succeeds in generating improvements in narrow silos, and fails to generate a broad range of positive, real-world outcomes, as defined by people themselves (Tomkinson, 2016). Similarly, Payment by Results does not encourage organisations to help people address the complex challenges in their lives, but instead turns the management of social interventions into a game which is won by producing good-looking data (Lowe and Wilson, 2015).

In a Foundation context, people have argued that complexity undermines the 'strategic funding' model and that we need 'emergent funding' models (Hartnell, Hodgson and Knight, 2014).

"Under conditions of uncertainty, foundations need to acknowledge what they do not know and cannot control and commit to learning their way to better strategy. This is no small matter. It puts the value of strategic philanthropy in question: to be good strategists in these settings, foundations need to become good learners and to position learning itself as a core strategy."

(Patrizi et al, 2013)

Rather than a choice between the two, many funders called for a more blended approach – strategic philanthropy which is applied through emergent techniques (see respondents to Kania, Kramer & Russell, 2014). Yet, as is often the case, these debates have failed to move into a real understanding of tangible practice on the ground, with little assessment or shared learning between the implementation of such different approaches.

Across the public and voluntary sectors there is growing recognition that we need models which can better respond to the reality of our complex world and the knottiness of people's lives. The clearest calls for a new way of thinking have included Sir Peter Housden (2016) who decried the "unconscionably long death" of NPM, and ippr's call for a new model of a Relational State (Muir and Parker, 2014).

Within the broader field of performance management, it is now argued that the dynamic and uncertain nature of complex environments renders metric-based performance management unfit for purpose (Melnyka et al, 2014), and research on human motivation (Pink, 2009) has shown that seeking to extrinsically motivate people through punishment and reward reduces their intrinsic motivation for doing their job well.

More broadly, some argue that 'embracing complexity' is the future of management practice (Boulton et al 2015) across public, private and voluntary sectors. In the Netherlands, the Buurtzorg model shows how aspects of public services are being successfully reconfigured as self-organising systems, run without managers by self-organising teams (Laloux, 2016).

ABOUT
THIS WORK

In response to the call for a new paradigm, we spoke with funders and commissioners who were trying new collaborative, relational ways of working, moving beyond a target-driven culture.

These people and organisations said that they often felt exposed and vulnerable in their practice.

They described undertaking activity because it felt like the right thing to do, but that it was difficult to justify without a well-accepted model of practice to refer to. Furthermore, they described struggling to find peers to talk with about how to do this work well.

Our conversations with funders led us to believe that there might be the beginnings of an evolution of practice as well as thinking in the funding, commissioning and performance management of social interventions, and that complexity was potentially the key to understanding this emerging practice. We wanted to explore this potential new development and, if it was real, to attempt to outline the key ideas, practices and relationships involved.

"The world as we know it is changing, we've got to change with it. There's little in between, really."

(Charitable Funder)

We intend for this report to both frame a new way of thinking about how resources are allocated and managed, and move towards a more practical understanding of how funders are implementing new approaches.

Methodology

Stage 1 of the process involved interviewing 11 charitable funders (including one representative body for charitable funders) and four public sector commissioners. The interviewees had been identified by the research partners (through existing knowledge, and through consultation with others in the sector) as organisations that were working in ways which responded differently to issues of complexity. Rather than being 'representative' of practice, they were chosen because they had been identified as the potential vanguard of a new way of working. Nevertheless, we sought to identify a range of funders and commissioners – covering a spread of geographies, sizes, policy areas and funding interests.

We were very keen to ensure that we spoke to both public sector commissioners and charitable funders, as social interventions are funded through both of these channels. Furthermore, increasingly, particular interventions receive both public and charitable money, as part of a blended funding mix.

We asked about their experiences of complexity (as defined in the inset box on the next page), and how they as organisations responded to the challenges of funding and commissioning in a complex environment. To enable the frankest possible dialogue, we promised them anonymity in this report. However, following publication of the report, we will work with research participants to create a series of online case studies around the electronic version of this report.

In Stage 2, we followed up with five of the charitable foundations (including the representative body) and one of the public sector commissioners to undertake 'deep-dive' interviews to explore the importance of relationships in their funding practice.

The first set of interviews had overwhelmingly recognised complexity as a challenge, and identified a broad range of ways in which funders were meeting that challenge. Many of these practices centred on the way in which funders created, maintained and used their relationships with and between the organisations they funded. We wanted to explore these relationships in greater depth: to identify what the nature of the relationships were, how they were formed and maintained, and what the behaviour in the relationships looked like.

UNDERSTANDING COMPLEXITY

In our conversations with interviewees, we described complexity in terms of:

- The complexity of people's lives: for example the richness of their identities, assets, histories, relationships and the challenges that they face
- The complexity of the issues that funders and commissioners are concerned with: for example, that substance misuse, mental health and homelessness are frequently interconnected and interdependent
- The complexity of the systems that respond to support people: the enormous range of people and organisations who make a difference to the lives of others. This facet of complexity includes the systems, structures and processes which deliver support or seek to solve problems.

"People that use services are not defined by the service they use. So it's actually redundant to talk about drugs users. … They also have mental illness, and they're homeless and they're offending. It's just happenstance that they happen to go to drug and alcohol treatment first. So people are beginning to see that actually they're not my clients, we all share these people and if we work together it's better for all of us …"

(Public Sector Commissioner)

COMPLEXITY THEORY

To help us interpret and analyse our interviewees' responses, we drew on a growing body of literature which applies the lessons of complexity theory to social issues (Byrne and Callaghan, 2014). The key concepts from complexity theory are:

- Unpredictability and emergence: the elements of a complex system interact in ways which produce unpredictable results. Tiny variations in the starting conditions of a system, and minute fluctuations from external influences, mean that identical-looking systems can produce wildly different results. The results produced by an intervention in one place and time may be different if tried in another place or time, and in complex systems, outcomes cannot be reliably and robustly attributed to particular interventions.
- Path dependence: complex systems are unpredictable, but not totally random. What happens next is strongly influenced by what went before. The patterns that complex systems produce have histories which must be understood in order to understand the results they produce.
- The importance of context and being humble about our knowledge claims: because tiny (often unmeasurable) variations and external fluctuations influence results so dramatically, context becomes very important. What works in one place may fail in another, and what works now may not be repeatable later. We must therefore be humble about what we can claim to know about how such systems work, and what evidence is telling us. It is not that evidence is unimportant, but that the answers it gives us are only ever partial.

THE FINDINGS

DIFFERENT PERSPECTIVES, DIFFERENT JOURNEYS – WHICH COME TOGETHER AS A NEW PARADIGM

The following findings emerged from interviews with funders and commissioners. In presenting these findings we do not want to suggest that there was uniformity in the practice or outlooks of those we spoke to – far from it.

Each organisation that we spoke to had been on their own journey to develop their ideas and practice. Some had developed practice first and principles later. Some were trying out ways of working based on their own understandings of what good practice looked like, and were iteratively improving these, using trial and error. Some had deliberately developed new ways of working to address specific issues they encountered. Some were right at the start of implementing new ways of working. One had attempted complexity-friendly practices, and had gone into (temporary) retreat. Most had developed complexity-friendly ways of working which had lasted over time.

It is from this variety of experiences and different starting points that we draw the findings of this research, which highlight a set of common threads: principles and practices which set out an alternative way of approaching funding in an increasingly complex world. Complexity theory helps us to interpret and understand these experiences, and to bring together the diversity of thinking and approaches into the beginnings of a new paradigm. Our purpose is to 'name and explain' this work, to help those who are working in this way to reflect on it within a broader context and to enable others who may be interested to engage with it.

A NEW PARADIGM?

We think that it is helpful to see this as a new paradigm, and not just a different set of practices, because it requires a different way of looking at the core question of how resources are allocated and managed. We think that it is a new paradigm because it changes the type of question which it is appropriate to ask. As an example, previously the question 'how can organisations demonstrate their impact?' was crucial. But from a complexity-friendly perspective, this is not the right question to ask, as complexity theory says that it is impossible to reliably attribute impact to the actions of organisations working in complex systems. Instead, other questions become important for funders, such as 'how do we know which organisations we should trust with our resources?'

In highlighting these common threads, this report does not intend to give a definitive framework for a complexity-friendly paradigm. It is not a 'how-to' guide. Instead, its purpose is to make this new paradigm visible, and begin conversations about it. It points to key processes and practices being used by funders and commissioners, and may enable those who identify with it to reflect on their own approaches, systems and cultures.

PRINCIPLES, CULTURE AND BEHAVIOURS

From the interviews, we are able to identify the principles, cultures and processes which embody the complexity-friendly paradigm. It is important to repeat: we are not suggesting that all of the funders use all of these principles, cultures and processes. Each funder embodies different elements to different extents. But, together, they help to outline what the new paradigm might entail.

Principles of complexity-friendly funding

Throughout the interviews, a set of principles, or beliefs, emerged as key concepts which seem to underpin and enable funding in a complexity-friendly way.

Motivation is intrinsic

"Nobody in any organisation comes to work every day to do a bad job. Nobody comes to say 'I am going to do a bad job'. They all come to do their job well."
(Public Sector Commissioner)

A key feature among those who are developing this new way of working is that they trust that the people and organisations to whom they are providing resources are intrinsically motivated to do a good job. They are taking a new approach in how they account for impact, searching for a new balance between the notions of trust and accountability. But there is more work to be done in understanding how to do this well.

Learning and horizontal accountability drive improvement

"And then what happened was that we could publish that learning out to the people involved in the same areas, and say, 'These

are the things that went wrong, this is why they went wrong.' So that for us is a really good relationship, even though it went disastrously wrong. We would give them money again in the future because of that and we want to have a relationship with them in the future because of that."

(Charitable Funder)

Holding honest, reflective conversations between actors in the system is the mechanism for improved practice. Learning and reflection drive improvement – not 'accountability'. This focus on learning and knowledge and a deliberate investment in the quality of relationships underpins a 'positive error culture' – one in which talking about mistakes, and the uncertainties that people feel about their practice, is viewed positively.

Context matters

"[X] would be completely ineffective if was done in [another city], but they might benefit from this model of infrastructure."

(Charitable Funder)

Funders agreed that context is a key determinant of what works and what doesn't when dealing with complexity. The knowledge and experience of working in one area may not translate over to another. This requires humility and reinforces the focus on learning, and the sharing of that learning. Several funders have embarked on place-based strategies as a method to strengthen their understanding of context and felt this improved how they responded to the realities of people's lives.

"Humility is needed – recognising we don't know the answer as individual organisations."

(Charitable Funder)

Outcomes matter – as motivation and a focus for learning

This method of funding holds at its core a focus on real outcomes for people. Rather than measuring a narrowly defined set of outcome metrics, funders reported being far more flexible in their approach to outcomes. In part, this flexibility is in recognition that outcomes are created by the system as a whole, not by particular interventions.

"We do not, we never want to get into the measuring impact thing, and the attribution thing. It's all nonsense I think. ... I think for us it's about saying 'Did it work, did it do what we thought it would? If not why not? ... It's about learning rather than measuring."

(Charitable Funder)

Conversations about outcomes between funder and fundee help the funder to check that there is a shared purpose for the work. But funders do not seek to hold organisations accountable for producing outcomes; rather, they see it as a joint endeavour among a whole network of actors and an opportunity for learning and improvement in the round. This allows funded organisations the flexibility to define the outcomes they feel are important, through dialogue with those they serve, and to redefine them in response to changing aspirations and contexts.

"We started with Outcomes-Based Commissioning, but realised it's not a magic bullet … So much is changing, that performance is disrupted. Some of the things [providers] were aiming for in contracts are now not expected."

(Public Sector Commissioner)

Interdependence is recognised

Funders using this approach recognise and respond to the interdependence that links individuals, organisations and system structures together. They acknowledge and seek to work across sectors, silos and groups, building relationships and investing in capacity to enable effective feedback loops, knowledge sharing, trust and honesty.

Cultures and behaviours for complexity-friendly funding

"Complexity does not lend itself well to a transactional model. You need to operate more on a basis of understanding and trust."

(Charitable Funder)

The cultures and behaviours of an organisation shape its actions and approaches, and showcase its values and priorities. Our interviewees identified that, throughout the funding process,

the culture of complexity-friendly funding rests on flexibility, listening, long-term thinking and creating an environment of trust by investing time and resource in developing the kind of culture which enables frank relationships.

Developing trust

"Two things are most important, I would say: the first is trust and the second is respect. Without those two things, you can't do anything."

(Public Sector Commissioner)

Trust seems to be the foundation on which a successful complexity-friendly funding culture is built. Funders identified that it enables more honest conversation, and therefore shared learning. They noted that it creates the confidence for funders to grant flexibility to delivery organisations and thereby frees them from inappropriate performance targets. Trust is so important that we will explore in a separate section what trusting behaviours look like, and how trustworthiness is judged.

It's not cosy – it's challenging

With funders seeking to create a culture which *"model[s] generosity and listening"* (Charitable Funder) it is easy to imagine that their investment in positive relationships produces a 'cosy' culture in which everybody exists harmoniously. But this is not what funders described. Rather, a key aspect of the investment in positive relationships is that it creates a culture which encourages and enables challenge and honesty between actors.

"He [funded organisation] might also be very critical of me face to face. So he can say very critical things. ... That's okay."

(Public Sector Commissioner)

Challenging power dynamics

"People are old enough and clever enough to understand that you have that power. They're much more concerned that you use that power appropriately."

(Public Sector Commissioner)

When funders model behaviours and cultures that foster trusting relationships, they are shifting the power dynamic of the traditional funder–fundee relationship. Interviewees mentioned co-creation – or even that funders should have *"a sense of service"* (Charitable Funder) to the funded organisation – as new ways of thinking that can mitigate that power imbalance. Some take this a step further to ensure that the voice of service users drives the development of the work

and many funders ask their fundees for clarity about their methods and level of engagement with beneficiaries.

Learning and listening

"I think creating a culture that models generosity and listening leads to critical thinking and asking questions."

(Charitable Funder)

Creating a learning culture starts from a position of humility on the part of organisations about their own knowledge and the extent to which they already have 'the answer'. For funders, this attitude means that they start with a process of exploration and research to build knowledge; it means creating feedback loops where they listen to the experiences of the organisations they support, and also to those they choose not to fund.

And funders are looking for similar attitudes in the delivery organisations. They are interested in organisations who also have strong learning cultures, and who can be humble about their own knowledge and practice. This can be challenging for delivery organisations, because being successful in the previous paradigm often depended on demonstrating that you did have the 'right answer' – that your way was 'best practice'.

Where relationships are strong and honest, organisations can focus their energy on effecting change rather than reporting or competing. This reinforces the move away from a transactional 'demonstrating impact' mentality, which hides challenges and realities, towards one where evaluation is viewed as a way to measure an organisation's own progress and success, as a learning tool. This, in turn, improves adaptation and flexibility, ultimately leading to funding which is holistic and increasingly responsive to need.

Flexibility

In complex environments we cannot be certain what the future will be, and what consequences will flow from our actions. The response from funders and commissioners to the inherent uncertainty of complex environments is flexibility. Practice must respond and adapt to changing circumstances, with the unknown and uncertain accepted and appreciated as part of the process.

"We sometimes have a process put in place but it's refined and evolves through practice. Through that practice it becomes almost embedded until we realise the world around us is changing or our circumstances are changing and we need another change."

(Charitable Funder)

However, no funder can be flexible about everything. What underpins this flexibility is the stability of the relationship between funder and fundee, and between actors in the system.

Internal investment and leadership

To be able to establish those flexible cultures, resourcing is essential, to allow staff the time to begin thinking and acting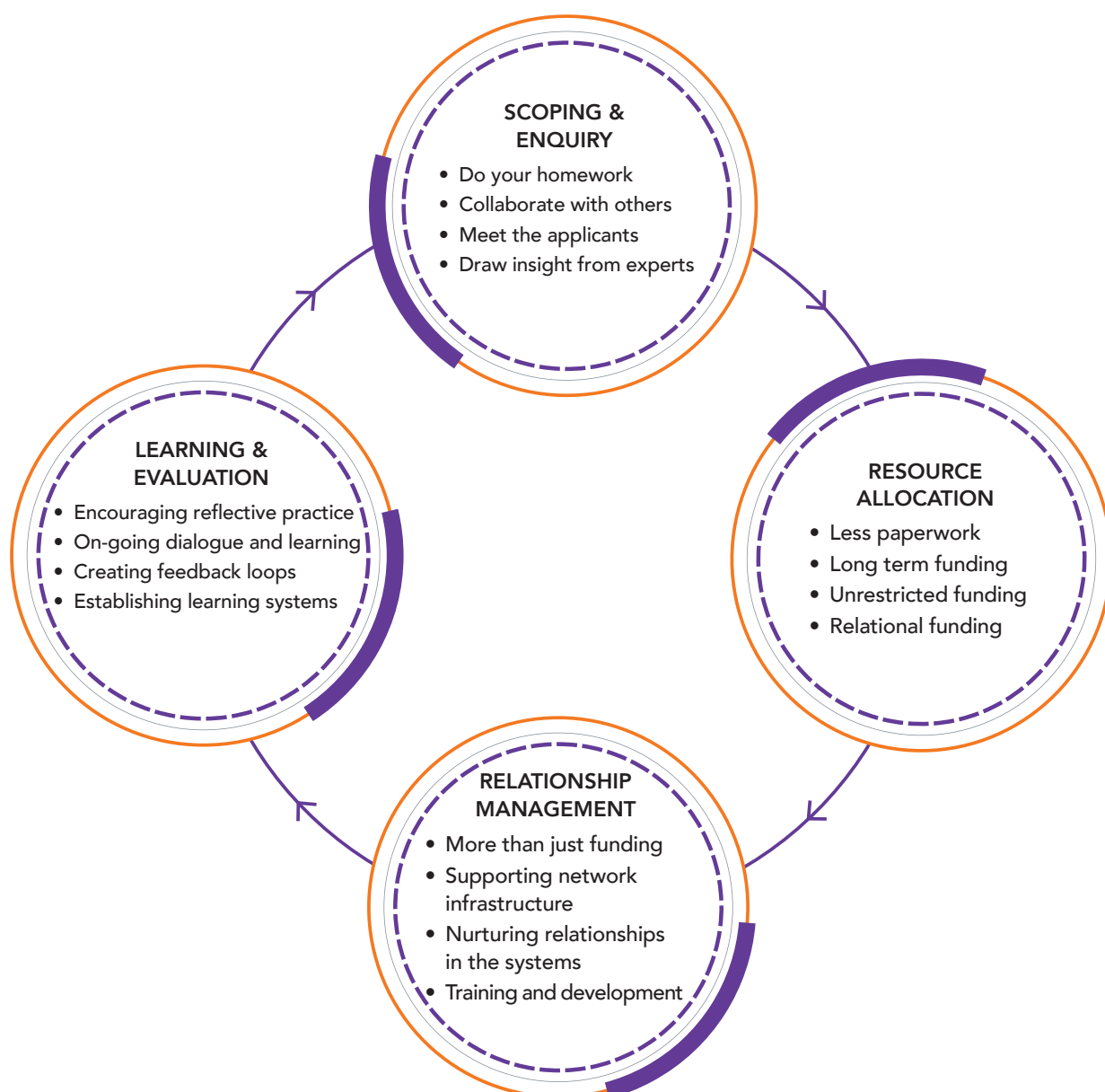 in this more complexity-friendly way. Funders spoke of the need for investment in their organisations so that staff can start to operate differently – for example, holding reflective events and training sessions, and writing learning papers.

They saw the role of leaders in funding organisations as a particular enabler to a complexity-friendly culture, ensuring leadership is *"brave enough to see the change through"* (Public Sector Commissioner) despite external pressures.

SYSTEMS AND PROCESSES

In trying to understand how complexity-friendly approaches work practically, we set out to understand how they are enacted across processes of scoping, resource allocation, relationship management and monitoring and evaluation.

SCOPING & ENQUIRY
- Do your homework
- Collaborate with others
- Meet the applicants
- Draw insight from experts

RESOURCE ALLOCATION
- Less paperwork
- Long term funding
- Unrestricted funding
- Relational funding

RELATIONSHIP MANAGEMENT
- More than just funding
- Supporting network infrastructure
- Nurturing relationships in the systems
- Training and development

LEARNING & EVALUATION
- Encouraging reflective practice
- On-going dialogue and learning
- Creating feedback loops
- Establishing learning systems

Scoping and enquiry

Relationship building

Though not uncommon in Foundation practice more widely, among those we interviewed we saw a particular emphasis on developing relationships early, ahead of any funding decisions. This involved meeting and getting to know organisations and, for some, giving development grants to help establish early work and partnerships.

Enquiring: doing the homework and using expertise

Funders spoke of the importance of *"doing your homework"* (Charitable Funder), drawing on the expertise of the people on the ground, and analysing existing data or commissioning research where this does not already exist. Frequently, the ethos of this work is that of 'co-production' – developing funding programmes with those who have relevant expertise and real, lived experience.

> **"We are trying to listen to what people tell us. Not just about the need, but about the way they think they do that."**
>
> (Charitable Funder)

Some funders referred to this as a process of *"enquiry"* (Charitable Funder). Viewed in this way, enquiry is not simply a phase of activity at the start of a programme, but rather an attitude towards how the programme develops and evolves over time. For such funders, their programmes can be viewed as a form of action research – an ongoing process of enquiry which constantly seeks to develop further knowledge about a topic.

For public sector commissioners, the enquiry process took the form of genuinely co-producing the information that informs the commissioning process. This included research on the strengths and needs of those who use services, and collective conversations between themselves and all the providers who make up the system.

> **"The commissioning process, it's a joint process. It's better for everybody. It's much more rounded. It's much less confrontational. Although, ironically, you can be much more confrontational because the atmosphere is not confrontational, if you see what I mean. You can really push, or be pushed about, and it doesn't feel as if you're being attacked. It feels like people are engaging with the ideas, not you the person. So it's been a very positive process."**
>
> (Public Sector Commissioner)

Collaboration

Doing your homework was frequently a collaborative act. Funders spoke of seeking to understand their potential role in the funding ecology of a particular field: who else was funding there, and what, and how their own strengths and areas of expertise aligned with those of others in the system. This has resulted in a number of collaborations, including the use of pooled resources to allow for longer, more cohesive and responsive funding.

> **"If this new approach is to have any impact, it will require a number of organisations to work together, whether around a place or around a theme."**
>
> (Charitable Funder)

Resource allocation – relational and long term

Relational funding

The majority of those interviewed talked of the importance of relational funding. However, the extent to which they were practising this way of working was highly varied. Clearly, there were significant differences between charitable funders and commissioners who are bound by an array of regulations concerning how public sector markets must operate – but differences between foundations were also wide.

Some of the charitable funders do not take applications at all. Instead, they reach out to organisations they wish to support. Those that do accept applications in the main seek to keep application paperwork to a minimum. A few still require more extensive written applications but seek to balance these with a range of other relationship building processes, so that the paperwork forms only part of the knowledge upon which to make a judgement.

> **"We take a relational approach. For every application we receive, even if it's just for 1000 pounds, we always do an assessment visit. I don't even like that phrase; it's more that we want to have a conversation."**
>
> (Charitable Funder)

Although some public sector commissioners were experimenting with relational funding through various mechanisms, others had not succeeded in this approach, despite a desire to. Those who had made the most progress used the following techniques:

- Co-production – in which commissioners, delivery organisations and those with lived experience work together to create commissions
- Creating networks of commissioned

organisations – building relationships between themselves and those they fund, and between the funded organisations themselves

- Pooled budgets – where funding from a number of different budget streams is brought together into one pot – typically joint health and social care budgets
- Consortia commissioning processes – in which commissions are given to groups of delivery organisations, rather than to single organisations.

The common thread amongst this range of practice is that funders seek to get to know the organisations as early as possible, and create mechanisms to maintain these relationships and ongoing dialogue.

Multi-year, unrestricted funding

Several funders argued that unrestricted, long-term funding is crucial to complexity-friendly funding.

> **"We're very big advocates of unrestricted funding and actually I think that's a foundational concept to being able to work with complexity."**
>
> (Charitable Funder)

Unrestricted, multi-year funding recognises that making change takes significant time, and that funded organisations must be free to respond to changes in the contexts in which they work. The uncertainty of working in complex environments can be met by giving trusted organisations flexible resources that allow their practice to adapt and change.

Providing long-term flexible resources, not tied to achieving particular outcome targets or other success criteria, also enables the positive error culture necessary for complex systems to adapt and improve. Freeing organisations from having to meet success targets enables those organisations to be more honest about the real challenges of their work.

> **"For us, that unrestricted funding and support over time – multi-year, ongoing funding – is important. Because then, when you have that ongoing support of relationships, our experience has been that people become more willing to talk not only about what's working, but also what's not working."**
>
> (Charitable Funder)

Relationship management – building networks

One of the key elements of the complexity-friendly paradigm is that funders take some responsibility for the health of the systems they work within. This entails funding to help networks develop, investment in the quality of

relationships between actors in the system, and also capacity and skills development.

Funding network infrastructure

A number of funders highlighted the role they play as conveners of conversations and facilitators of dialogue across and between actors in a system – we are *"deliberately trying to create collaborative networks and create movements"* (Charitable Funder).

> **"You actually have to, as funders … there is a role to support. How do you support the spaces and the processes for people to connect across issues, and learn together and develop the trusting relationships that will enable them to work in an across-issue, cross-sector way?"**
>
> (Charitable Funder)

Investing in network infrastructure not only enables effective communication and learning, it builds a "*community*" (Public Sector Commissioner) of practice. Such communities create "*a critical mass*" (Charitable Funder) of organisations working in common cause, who are able to nurture, support and challenge one another.

Workforce development

In addition to funding and supporting collaboration, complexity-friendly funders invest in skills and workforce development. This investment includes specific training programmes – such as monitoring and data analysis, and problem-solving – but also more open-ended development such as retreats and leadership development programmes for funded organisations.

> **"What we will do is put them in groups together on particular issues so they can work together, learn from each other, and potentially collaborate. We have learning seminars, learning networks, we do a lot of training and we put organisations in touch with each other."**
>
> (Charitable Funder)

From monitoring to learning

> **"I really want us to get to a place where funding can be more about learning and more about honesty, more about 'none of us know the answers so let's work towards them together'. Let's constantly iterate, adapt and learn, as opposed to how it was in the past where we were a funder and it was very compliance focused."**
>
> (Charitable Funder)

This quote demonstrates a key shift for charitable funders – from accountability to learning – in the way monitoring and evaluation is conducted. This is based on supporting reflective practice, helping organisations to focus on understanding the changes they are making, and trusting them beyond metrics collected on paper. Some funders have developed a two-way reporting process, accepting and giving feedback equally. Others are experimenting with new forms of evaluation, including developmental evaluations which seek to learn from emerging evidence and shift approaches – both in the evaluation and in the initiative itself. Some funders were changing their evaluation relationships to employ *"learning partners"* (Charitable Funder) whose role is to hold up a mirror to help those undertaking change to reflect on whether their cultures and processes are enabling them to achieve their desired purpose.

> **"When people realize they can have honest conversation about the challenges that they are facing and the changes that need to happen. ... they don't have to prove that they're doing something to justify the money, so that everyone else is making themselves feel better and no one is actually talking about the challenges they're facing."**
>
> (Charitable Funder)

Using data differently

> **"Use data as a friend, not as a rod for your own back."**
>
> (Charitable Funder)

One of the key areas for improvement across the whole sector that funders identified is the collection and use of data. For funders, this meant improved use of data in their own practice:

- Capturing and sharing information about their own grant giving – for example through the 360 Giving platform
- Capturing and analysing data about their own funding performance – through, for instance, actively seeking feedback from delivery organisations
- Using live data and research to understand need better.

Funders also sought improvements in the way in which funded organisations used data for learning. One highlighted that there was a *"lack of intelligence in the system"* (Public Sector Commissioner) about how to use data well.

Reflective practice and dialogue

Interviewees emphasised the importance of collective reflection – so that learning encompasses the perspectives of different actors in the system. One funder spoke of building "*collegiate relationships*" which created the space for honest and rich conversations. Others suggested creating and funding headspace and thinking time, to ensure that the trust and communication channels remain open and responsive.

> **"He [trusted relationship] was very open and very reflective … He wasn't at all defensive. He was much more interested in learning about the evidence."**
>
> (Public Sector Commissioner)

TRUST AND RELATIONSHIPS

We have seen that complexity-friendly funding means that funders and commissioners actively create a network of positive relationships as a means to make complex systems learn and adapt more effectively. These positive relationships are frequently built on the value of trust.

From the second stage interviews, we were able to identify the behaviours that build trust – exhibited by funders and those they funded – and the interpersonal and organisational characteristics that make people and organisations trustworthy to particular funders.

What characteristics make people trustworthy, for these funders?

A strong theme emerging from the 'deep dive' interviews concerned the personal relationships upon which trust was founded, and here we were able to identify the characteristics that made people appear trustworthy to one another. These were about the attitudes, knowledge and experience, skills, and personal values that people exhibit.

It is important to understand that these characteristics are contextual; they were what enabled a particular set of relationships to form, and are based on the perceptions of a particular set of funders and commissioners. We do not want to suggest that these characteristics represent what make people trustworthy to funders per se. Other funders and commissioners may find different characteristics appropriate.

ATTITUDES	KNOWLEDGE AND EXPERIENCE	SKILLS	PERSONAL VALUES
Being collaborative	Knowledgeable in their field	Building a good team: hiring really good people	Authenticity
'Can do' attitude	Use of evidence	Grappling with complexity	Commitment to user experience and outcomes
Energy and passion	Track record	Making difficult decisions	Integrity
Being good with people	Personal history	Managing expectations	Lack of ego
Commitment to reflective practice	Being a 'kindred spirit'	Communication	Openness to difference
Saying 'we don't know'			Shared values and vision
Being honest about risk			

One noticeable point about the attitudes the funders described is that they echo the characteristics required to make a positive error culture function. Similarly, many of the skills that funders said that they looked for are connected to other aspects of making a complexity-friendly culture work well, such as communication, acknowledging challenges and managing expectations. The desire to see collaborative leadership also fits with this story – you are trustworthy because you assemble good people around you.

Understandably, people's track record was important to funders. But, interestingly, they were also interested in people's skills at reflecting on both their achievements and their failures. This connects strongly with their ability to use evidence well. We begin to see a picture in which part of the reason that people are seen as trustworthy is that they demonstrate their ability to learn.

Finally, people's values are a source of trust – ranging from their commitment to positive experiences for those on the ground, to those, such as openness to difference and a lack of ego, that help place a check on the potential exclusivity and 'group-think' of trusting relationships.

Overall, we see a strong pattern in what makes people trustworthy – these are the characteristics that promote healthy systems. It seems that the funders we talked with have been seeking out relationships with people who work in such a way as to make the whole system function well.

Characteristics of trustworthy organisations

In many cases, interviewees also noted that there were organisations that they trusted, as well as people. We were able to group these under the headings of: processes, cultures, relationships and achievements.

It is interesting to note that the processes which make organisations trustworthy are significantly connected with the organisations' ability to institutionalise learning, as well as the processes that enable them to keep their promises and be consistent over time.

Other strongly linked factors are to do with the organisations' acknowledgement of and response to complexity: their desire for collaboration, and their connectedness through their networks. Again, we see manifestations of the idea that funders have been seeking out relationships that promote the health of the system as a whole.

We also get a strong flavour of the contextual nature of the relationships that funders seek out. Unsurprisingly, they are looking for organisations that align with their own values and interests.

PROCESSES	CULTURES	RELATIONSHIPS	ACHIEVEMENTS
Appropriate governance	Desire to work in collaboration	Networks – who they are connected to	Track record
Learning organisations	Understanding the complexity of issues, people and systems	How they work with others	Doing interesting things
Management competence	Walking the talk		Doing work we value

GAINS AND CHALLENGES

All of our interviewees agreed that this way of funding is challenging. So what drives the desire to make these in-depth changes not just to processes but to the cultures and behaviours of an organisation? What do they gain from it? And what are the challenges they face when seeking to implement these ideas?

"It is unquestionably a better way to do business."

(Public Sector Commissioner)

Gains

It's realistic and effective

"You've got to see the world as is, not as you wish it were."

(Charitable Funder)

Funders repeatedly mentioned a key motivation for working in this way: it felt more realistic and therefore provided a better starting point for action. Wishing the world were simple, so that interventions could be more easily controlled, is understandable, but inappropriate. Acknowledging the reality – the messy, complex systems we live and work in – is the first step to making changes. Doing so not only begins to *recognise the human element,"* (Charitable Funder) but becomes *"more about the citizens"* (Public Sector Commissioner), ultimately resulting in funding that provides what is truly needed.

Better outcomes for people

"Systems create outcomes."

(Charitable Funder)

"We need a next generation approach on [outcomes]. ... It's about how you get organisations learning and improving together – picking up overall change in an area, based on interconnections and inputs from lots of different organisations, not just one."

(Charitable Funder)

The approach described by funders seeks to view the 'whole' person, their needs and opportunities. Looking at an individual 'in the round' requires a variety of different interventions which, when linked together, enable a systemic, joined-up response. Those interviewed believed this made better outcomes far more likely.

Understanding the role of funders

"It is not our role to make the change locally but it's our role to support the conditions for change to happen."

(Charitable Funder)

Complexity friendly-funding recognises funders as conveners and influencers, not just cash machines. Funders felt working across the system in this way and being able to add value in more than financial ways helped to create greater impact in the work they funded.

Achieving systems change

Amongst many of the funders we spoke to, there is a strong desire to promote system change. The approach described here appears to be a way to fund and commission to achieve that.

This can be associated with a variety of factors, including trusting, honest, relationships and the role of learning as a way to promote success. Investment in connectivity between people, the quality of the relationships, and learning, creates effective feedback loops. And in this way, funders are investing in the health of the system to enable it to adapt and change.

Furthermore, interviewees saw that the work they were seeking to support was based on caring, trusting behaviour between people, which could serve as a model throughout the system.

"It shows me that you can find a space to be normal and human, even when you're at work."

(Charitable Funder)

Creating a community and moving beyond power

Funders identified that working in this way helps to create a 'community' of people who trust one another and enables people to learn from one another's perspectives and work together better.

"So it's a much more, kind of, integrated crew. It's not solely a commissioning group or solely a public health group."

(Public Sector Commissioner)

Exhibiting trust in a shared commitment to a common endeavour helps people to acknowledge and overcome the power dynamics inherent in funder/fundee relationships.

Challenges

Attribution and accountability

One of the most significant challenges in implementing complexity-friendly ways of working is that doing so challenges current notions of accountability.

In particular, it challenges the idea that an intervention (project, organisation or programme) can be held accountable for the impact it makes in the world. One commissioner had tried complexity-friendly processes, and retreated from them, because they did not produce the requisite evidence of "*better outcomes.*" Charitable funders spoke of the challenges of having to deal with the question, "*But what impact are we making?*" from their boards, and of finding evaluation to be "*hard.*" (Charitable Funder).

Knowing who to trust, and when to say goodbye

If funding decisions are built on relationships of trust, then knowing who to trust, and why, becomes a very significant question. Many funders said they relied on their own judgements here, and some felt that they would benefit from thinking about this is a more systematic way.

And how do you go about ending a funding relationship? Funders spoke of the challenges in creating effective boundaries and managing expectations, so that the process is as painless as possible. They noted that, even when this is managed well, it is difficult: this perhaps hints at an ongoing issue about achieving real, equitable partnership working between funder and fundee.

Letting go of control

When funded organisations are viewed as peers, rather than subordinates in a vertical accountability relationship, the shifts in power this entails can be difficult for both sides. Funders and commissioners spoke of the psychological challenge: people want to feel in control at work, and can feel apprehensive about letting go of power.

A complexity-friendly paradigm seems to oblige funders and commissioners to tolerate new risks, to manage their fear of the unknown, and to help build people's capacity to make effective decisions in situations of uncertainty. None of this is easy.

Competition or collaboration

To respond effectively to complexity requires a move away from competition between providers and grantees towards more effective collaboration. Funders and providers, both, need to look beyond their own organisation's immediate interests and goals. This can be hard, especially when the prevailing paradigm is one of competing for contracts and grants. Interviewees noted that competitive funding environments can create suspicion and mistrust between providers. It takes significant work to build positive trusting relationships when this has been the starting point.

A context of silos

Funders and public sector commissioners described the challenge of seeking to develop complexity-friendly approaches within larger contexts which do not work in this way. They mentioned problems with siloed funding at national government level, as well as the challenges faced by organisations who were funded in part through complexity-friendly approaches and in part via a culture of accountability for outcomes where contracts were viewed as transactions.

Skills gap

Despite recognising the importance of proper resourcing for learning, many funders still described the lack of skills, capacity and infrastructure which enabled effective learning – between both funders and those they fund. Some felt that we were still falling short on the effective use of data for learning, in part and in some places due to a "*lack of intelligence in the system.*" (Public Sector Commissioner).

Time

Interviewees frequently mentioned the time required to build the effective relationships on which a complexity-friendly paradigm depends. The approach is difficult to automate, and therefore to undertake at scale without significant resource. Funders also noted that the complexity-friendly funding paradigm demands that they view change over longer periods of time, and as a slow process which does not necessarily have predictable milestones. This requires bravery.

Investing in networks

Many funders felt that complexity-friendly funding required spending on collaboration infrastructure that enables relationship building and learning. In the past, this has been difficult to justify to key decision-makers because it does not directly lead to identifiable outcomes and can be seen to divert money away from other 'worthy causes'.

Hard to do at volume

One of the seemingly inescapable challenges for this funding paradigm is that it is challenging to do at high volumes, without significant resource. If funding is built on human relationships, then such relationships require significant investment in people and time.

WHAT NEXT?

This report is a starting point in a conversation which at its heart is about adopting cultures and practices that are better suited to improving lives in the complex, messy world in which we live. Rather than engaging in intellectual debate about new approaches to supporting social change, our ambition in undertaking this work is to shine a light on changing practice in the real world and – crucially – on how funders might together learn and improve their practice.

Below we suggest some possible areas for action. We invite all those who fund and deliver social interventions with an interest in complexity to join us in exploring these and other ideas.

EXPLORING THE ISSUES …

Accountability and risk

Complexity-friendly funding is not linear. It steps away from a belief that calculations on impact can be made by tracking inputs, outputs and outcomes within definable boundaries. Instead it recognises the interrelation between multiple actors on multiple outcomes. All of this challenges old notions of narrow accountability and impact. This requires a significant shift in thinking and many are grappling with this issue and its implications. Funders and commissioners will need to find ways to become more comfortable with uncertainty.

However, accountability questions do not disappear completely. There is still a role for traditional vertical accountability, for example, in combating fraud. Likewise, what is the role for other forms of accountability, such as horizontal (peer to peer) accountability, and accountability to those who are served? There is much more work to be done to further develop accountability frameworks within a complexity-friendly paradigm.

Finally, letting go in this way requires a new attitude to risk and to its appropriate management.

Learning: context and systems

Learning is recognised as the key to ongoing improvement and lasting impact, but putting this insight into action requires more work. Understanding which methods create the effective feedback loops that drive adaptation is important too. How do we best create learning cultures, processes and systems? And how do these work at different levels (at the frontline, in leadership) and at different scales (neighbourhood to nationally)? If we let go of attribution, how can we interpret the measurements and data we gather, to learn most effectively? And how can different contexts learn from one another, if

context radically affects results?

… AND BUILDING THE PRACTICE

Funded organisations

We need to better understand the perspective of the organisations who are supported through this approach. What are their experiences? What advantages does it give them? And what new challenges does it create? What stories do they tell of the impact on beneficiaries?

Furthermore, if a significant horizontal (peer to peer) dimension to accountability develops, it will require funded organisations to change their accountability practices. Will they do so? And what support will they require?

➔ A series of **open feedback fora** could be used to point the way for improvement for funding organisations, building on work like the recent Listening for Change report (Blagrave Trust and Esmée Fairbairn Foundation 2017). This would go beyond the constraints and sensitivities inherent in the binary relationship between funder and fundee, and instead address the effect of practice of the funding sector at large (e.g. trusts and commissioners) on the funded sector (e.g. grantees and providers) and build up a clearer picture of the Funding Ecology around them' (Kippin and Swinson Reid, 2015). Such sessions might ask, what practices inhibit or support organisations to respond to complexity? What needs to change, and how? How do different forms of support interrelate? Do they cause inconsistencies, challenges or pressures for those being funded? Such endeavours – whether one-offs or regular opportunities for reflection and input – could be well supported by a coalition of funders and wide reaching in their impact.

➔ For commissioners, enabling collaborative working among funded organisations is a challenge in an environment which traditionally encourages competition. Nonetheless, many are exploring models of **collaborative commissioning** and are making efforts to build new partnerships, particularly across VCS organisations. **Working with local VCS representative bodie**s and

intermediaries, public sector commissioners across the range could strengthen their role as brokers. Such groups could help explore questions around commissioning practice and how it supports or inhibits organisations to respond to complexity.

Charitable funders and public sector commissioners

At this initial stage of enquiry, we wanted to explore emerging practice among charitable funders and public sector commissioners as organisations with similar problems concerning the distribution and management of resources which seek to bring about social good. They are of course distinct, and further efforts are needed to understand the broader picture in both sectors.

In practice, the challenges of implementing a new way of working will be very different for these two funders for a variety of reasons – different governance and regulatory environments, distinct pressures and expectations around rising demand and diminishing resource. And each sector is far from homogeneous: small family trusts typically operate quite differently to large foundations. Cultures and behaviours are distinct between health commissioners and local authorities. These all need to be understood and explored.

At a time when **place-based** funding approaches are of particular interest and the two are increasingly asking questions about how they might best work together, a need for concerted shared learning and joint action is emerging.

Charitable funders and public sector commissioners have not traditionally been close bedfellows, yet as the roles of the sectors shift and austerity and rising demand necessitate new approaches, that is beginning to change. Some have historically been better at this than others (for example community foundations) but there is still a real need to strengthen and accelerate collaboration. Networks of learning, leading to joint action, are worth investigating and might be more tangible and achievable among funders exploring particular areas of concern.

Many charitable funders see the act of convening as central to their role, supporting learning networks and the like. What is far less common is funders engaging in such networks with their peers to assess their own approaches and methods and learn together for greater impact. To further the understanding and impact of complexity-friendly funding, an **action learning programme** among a small set of foundations could be effective. Set over the medium term this could explore the issues above, examine the impact of varied approaches and experiment with developmental evaluation techniques as a cohort. Specific **work with trustees** around accountability, measurement and risk might also support progress.

For public sector commissioners, platforms exist for sharing learning; for example, the Commissioning Academy and particular groups such as the Co-operative Councils Innovation Network. These and other platforms could offer the opportunity to establish a small group of commissioners from local areas as a **community of practice** who are explicit about their desire to do things differently and have an appetite for trialling new ways of working. With the right support and buy in from senior staff, such a group could take an action learning approach to effective responses to complexity, sharing learning and modelling methods in relation to tricky issues such as accountability. With budgets around innovation constrained, a clear case would need to be made for such an approach and might be more effectively achieved by aligning around specific issue areas such as ageing or mental health, where there are particularly acute issues of rising demand.

Broader stakeholders

There is value in creating communities of learning among peers in all these groups – but there is clear value too in funders brokering wider, diverse collaborations between stakeholders.

→ With many of the funders interviewed describing their role in convening and nurturing across the whole system, bringing together **unusual collaborations**, from frontline staff to directors, funders to grantees, and across silos and sectors is clearly powerful.

At a time of significant political and social flux, the approaches outlined here are offered as anchor points, grounded responses to complexity from those whose job it is to support social interventions. They are a set of ideas which offer clues as to how funders are putting the theory of systems change and complexity into practice. They need developing and deepening but the potential win for doing so is great – a new way of working which can move us on from a top-down, target-driven culture which neither responds to the complexity of people's lives nor manages costs across the system effectively. Now more than ever we need to adopt more human, relational and equitable approaches to funding which embrace the complexity of the world and value the outcomes that matter most to people. We invite all those with an interest in exploring how this is done to join us.

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Leeds South and East Clinical Commissioning Group

London Funders

Millfield House Foundation

North East Together: Leaders Network for Social Change

NCVO

Oldham Clinical Commissioning Group

Plymouth City Council

Power to Change

Suffolk County Council

Tyneside and Northumberland Mind

Trust for London

Tudor Trust

Wevolution

Whitman Institute

APPENDIX 2:

Building on the information and ideas from the interviews, and putting them through the lens of complexity theory, we can make a first attempt at identifying the potential differences between the perspectives and practices which could enact a complexity-friendly approach to funding and commissioning and those within the NPM tradition. This is not intended as a definitive guide – it is necessarily partial and undoubtedly will be corrected, refined and improved upon by others. It is offered as an illustration of what the new paradigm could entail, for those who find such concrete examples helpful.

	COMPLEXITY-FRIENDLY FUNDING	NPM APPROACH
Principles	Motivation is intrinsic – the values of people and organisations drive them to work well	Motivation is extrinsic – people and organisations must be incentivised to work well
	Learning and horizontal accountability drives improvement – holding structured conversations between peers is the mechanism for improved practice	Vertical accountability drives improvement – holding subordinates accountable for the results they produce is the mechanism for improved practice
	Context matters – even small changes in context significantly affect how practice works. 'What works' must be determined within each context.	'Best practice' matters – evidence says that there is a 'right' way of doing things ('what works'), which will produce good results in all roughly similar contexts
	Outcomes are emergent properties of complex systems – they cannot be attributed to people, organisations or programmes.	Outcomes are delivered by organisations/ programmes – they can (and should) be attributed to these interventions.
	There is interdependence between all elements of the system. If purchasers and providers are split, they must create relationships which enable effective feedback loops.	Purchaser-provider split enables healthy competition.
Role of service users/ beneficiaries	Co-creators of outcomes Ongoing dialogue with others in the system about the nature of provision	Involved in the specification of desired outcomes (but may be overruled by paying customers – i.e. funders) Provide feedback on quality of service
Roles of funder/ commissioner	Identify a shared purpose for a system – potentially in terms of high level outcomes	Identify desired outcomes and metrics for what counts as success
	Funder as an agent of change	Funder as money responding to a need
	Build and nurture effective relationships between elements of the system – support network infrastructure and help to create trust	Create a fair marketplace – a 'level playing field' for organisations to compete to deliver desired outcomes for the lowest cost
	Distribute resources to the system as a whole, and to trusted elements within it	Distribute resources on a competitive basis
	Create feedback loops which enable learning	Manage the performance of funded/contracted organisations using outcome metrics
Role of funded organisations	Partners	Service providers
	Flexible delivery – work which responds to changing strengths and needs of those they serve	Contract delivery – work which meets the specifications of their contract
	Horizontal (peer to peer) accountability - Accountable to other actors in the system for the quality of their delivery	Vertical accountability – Accountable to commissioners for meeting service specifications

	COMPLEXITY-FRIENDLY FUNDING	NPM APPROACH
Culture	Learning is key	Delivering against agreed outcomes is key
	Positive error culture – people talk about mistakes and uncertainty	Celebrating success – people talk about 'what works'
	Openness to change – we don't have all the answers, and the nature of the challenge will change rapidly	Certainty – we know what the problem is and we know what works. The task is to take it to scale.
	Relationships and rich conversations are important	Relationships are transactional
Processes	Enquiry and research maps current systems – generates information about current practice, potential gaps, and the actors and relationships involved	Enquiry and research identifies a problem and the known best-practice in responding to it.
	Measure and collect data for learning – to reflect on and improve our practice	Measure and collect data for performance management – to make ourselves accountable to others and to demonstrate impact
	Developmental funding – support the development of new ideas/ways of working Relational/trust-based funding – e.g. long-term, unrestricted funding	Competitive grant-making/procurement.
	Learning systems – facilitated conversations about practice improvement	Outcomes-based performance management – e.g. Payment by Results
	Build and nurture network infrastructure	Expect a network to build without added time and investment
	Invest in quality of relationships	Invest in project delivery

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