

## Orientation in self-governing systems – a heuristic approach

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### Introduction

A large web based encyclopaedia refers to self governance to be an abstract concept that can be used to describe a group being able to exercise all of the necessary functions of power without intervention from any authority which they cannot themselves alter. Due to growth and more public attention self governance has become an important issue for social profit organizations. The debate will show if the group of social profits is able to exercise all functions of power without intervention of any authority, as stated by the encyclopedia. For example German Federal Finance Minister (Bundesfinanzminister) Peer Steinbrück named his tax reform 2007 "Hilfen für Helfer" to be an "investment" into the sector which can be taken as a sign for some (in fact very eligible) return on investment motives. The EU Commission has conducted a consultation on a new legal entity called the European Foundation – yet all proposals so far design it to become an additional entity.

But fact is there is little pressure on self governing organizations to implement various concepts of self governance. If the experiences from the USA are a relevant indicator, we should expect this situation to change however on the long run.

### Self Governance needs Quality Assurance

Successful self governance is determined by its internal and external authorization settings as Guy Pfeffermann points out in his abstract referring also to Kennedy School of Governments research. One part of the authorization setting is the selection of leadership that is crucial for the success of self governance because leadership has severe impact on the interaction of the organization in its authorization setting. Clearly, only if there is a high quality process of leadership selection the self governance will succeed. But one should not end the debate on self governance with a well-intended appeal for good leadership. This contribution focuses on the question how leadership can be supported to attain quality assuring not in leadership selection but in quality of operative work. A defect quality assuring is a knock out criteria in most self governing systems that is often neglected. I will introduce means that support leadership and concentrate on two dilemmas that are crucial for the success of Bertelsmann Stiftung and its operative

work: the dilemma of economic efficiency vs. creativity and the dilemma of complexity vs. orientation. In the second part I will introduce young and unfinished ideas about assuring quality of work when complexity in social systems rises and programs have to follow. While never sufficient these means tend to be necessary prerequisites for effectivity and efficiency for Bertelsmann Stiftung and might apply to other social profits as well. Throughout I will use experiences from the implementation of the proposed instruments and processes at the Bertelsmann Foundation to illustrate the concepts.

### Bertelsmann Stiftung as a Self governing System

Freedom, solidarity, competition, goodwill - those were the guiding values Reinhard Mohn had in mind when he founded the Bertelsmann Stiftung 30 years ago. And they continue to serve as a solid basis for our programs. For three decades, the Bertelsmann Stiftung has availed itself of this "values compass" while developing solutions designed to ensure society's long-term sustainability. Bertelsmann Stiftung theory of change addresses: Enabling the individual person, strengthening social cohesion and developing systems of balance. Since its inception, the Bertelsmann Stiftung has spent roughly €605 million on nonprofit projects. The foundation was set up as an operative foundation that has grown to about 300 employees working in about twenty programs with an average of three projects. The leadership consists of the Board of Trustees led by Prof. Dr. Dieter H. Vogel, the Management Board led by Dr. Gunter Thielen and thirdly the Management Committee including Programm-Managers who are reporting directly to the Management Board.

As an operative foundation the Bertelsmann foundation takes on different roles - as moderator, as policy consultant, as think tank or as thought leader for implementation concepts. The identification of new challenges or reform needs calls constantly for an open organization that allows intensive discourse of internal and external experts. Currently we are exploring participative channels in some programs that are based on open source and social community techniques. The different roles can be structured along a life cycle of public issues. The development of an innovation in a pilot context calls for a project organization with clear goals, team structures and

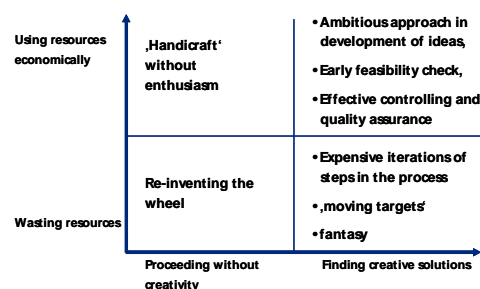
transparent milestone planning (Introducing [www.weisse-liste.de](http://www.weisse-liste.de)) The transfer of results from a pilot project often depends on partnering with decision makers in government and administration. (Introducing [www.anschub.de](http://www.anschub.de)) Also successful transfer depends on robust implementation and controlling structures or even the establishment of new institutions (Introducing [www.praxissiegel.de](http://www.praxissiegel.de)) Given this wide range of project types and organizational needs the Bertelsmann Stiftung is increasingly focusing on only a few selected core competencies that have to thematically and methodologically clearly identifiable. Among those core competencies quantifying of own political concepts but also those of others is in our view a successful instrument. Such core competencies allow clear internal and external positioning and support a realistic aspiration setting.

## Dilemma between economic efficiency and creativity

Focusing on quality of work there is a first dilemma to treat. Experience of Bertelsmann Stiftung shows that creativity is often contrasted with economic efficiency. This postulated contrast is for example used to justify opposition against quality management and other supportive instruments such as systematic controlling or legal due diligence. Upon closer inspection this postulated dilemma turns out to be resolvable. The key question is how to maximize creative and innovative impact given the economic resources. We found that a high aspiration for project impact in combination with solid pragmatism has been helpful in maximizing both creative potential as well as efficiency. The most creative ideas are often found given the economic pressure "to do more with less" – an elementary lesson adopted from the learning from lean production systems and modern value chains. Five tools help Bertelsmann Stiftung to attain this goal are:

1. Systematic project management along phases
2. Transparency of cost and continuous focus on efficiency
3. Clear orientation towards target groups to support a brand
4. Strategic employee development
5. Focused Partnering based on complementary roles

Matrix of dilemma:



## Dilemma between complexity and orientation

Qualitatively different problem-solving techniques are required at high levels of complexity than at low ones. Because solutions for health care systems tend to grow extremely complex. Ultimately Bertelsmann Stiftung decided to grow the complexity of programs simultaneously. This means that programs need to find solutions addressing the complexity of the social system. Health care system is a good example for this. The following principles are helpful guidelines flanking the growth of complexity:

- Strategic understanding: Leadership needs to have clear sense of goals and dynamics of impact
- Transparency: Only initiatives with tangible measures incl. costs are credible
- Delegation: Implementation needs freedom for finding adequate solutions within clear goal hierarchy at different abstraction levels
- Robustness: Architecture of philanthropic initiative needs to be flexible and work in different – even in unforeseen – contexts which calls for enabling at all levels.
- Stakeholder perspective: The stakeholder-perspective needs to drive communication and expectation management

But what if complexity overrules these principles and orientation is at stake? The challenge is to develop a pragmatic navigator that provides the necessary information to leadership. At this point a self-governed organization has to show if it is capable of "exercising all functions of power without intervention of any authorities", as stated earlier. Bertelsmann Stiftung thinks about various ways to develop such a navigator. I will only introduce some first ideas on a promising approach that is in a very early stage of exploration. It can be called "social heuristic due diligence". Heuristics are familiar to everyone for example from weather proverbs. But they can be a key player in reducing complexity and providing the orientation for program management and leadership information as well. Being condensed abstractions of experience from many cases and incidents heuristics can be treated like non-analytic guidelines. They are helpful to treat complex, inherently unbounded complications. They provide the successive transitions from qualitative, provisional needs to descriptive and prescriptive guidelines and, hence, to rational approaches and methods".

The social heuristic due diligence is an adaptation from the art and practice of systems architecting (Maier, Rehtin, 2000) – at first sight a very remote relative to the field of philanthropy that comes a little technical along. A close look reveals however that this practice is not only applicable to IT solutions but also to social systems. The art of systems architecting complements science where science is weakest: in dealing with immeasurables, in reducing past experience and

wisdom to practice, in conceptualization, in inspirationally putting disparate things together, in providing “sanity checks,” and in warning of likely but unprovable trouble ahead. Like the practice of medicine, law, and business – the practice of systems architecting is non-analytic, difficult to certify, less understood, and is seldom taught formally in either academia or industry. It is a process of insights, visions, intuitions, judgment calls - and even taste. Examples of heuristics that seem to be applicable to complex philanthropic initiatives and have confirmed first testing at Bertelsmann Stiftung are:

#### General

- If the politics don't fly, the system never will.
- It's not the facts, it's the perceptions that count.
- Success is in the eyes of the stakeholder.
- If the system is to succeed: who benefits? who pays? who provides? who loses?
- Cost rules.
- When implementing a change, keep some elements constant as an anchor point for people to cling to (at least until there are some new anchors).
- It's easier to change the technical elements of a social system than the human ones.
- The best engineering solutions are not necessarily the best political solutions.

#### Clarity of goals / Organization of work

- Keep it simple stupid!
- If you can't explain it in five minutes, either you don't understand it or it doesn't work.
- In architecting a new program, all the serious mistakes are made in the first phase.
- If you can't analyze it, don't build it.

#### Avoiding risks

- The most dangerous assumptions are the unstated ones.
- Do the hard parts first.
- Pay attention to the interfaces.

#### Conclusion

Quality assuring in selection of leadership and in quality of work is essential for successful self-governance organization. Based on practical experience a number of tools help Bertelsmann Stiftung with keeping the success factors efficiency, creativity, complexity and orientation in balance. It seems to be a promising approach maintaining orientation in complex programs by applying heuristics that are adapted from the art and practice of social systems architecting. Finally, the “social heuristic due diligence” can help to achieve what most philanthropist are up to: social change that is effective and efficient.