



**JR MCKENZIE TRUST**  
ESTABLISHED IN 1940

# Peter McKenzie Project\*

## Options paper: Narrowing the focus

*October 2013, Janet Digby*

*Abridged version for external use*

*\*This project was known as Toby until the 22<sup>nd</sup> of November 2013*



# Contents

Contents .....	3
Background and purpose .....	4
Social Change .....	8
Trust-specific considerations.....	10
Tapping into collective wisdom .....	11
Our best understanding of what the future might hold .....	11
A summary of findings from the literature and interview process .....	12
Further detail in key areas.....	20
Complexity .....	20
Focusing upstream .....	21
Research and evaluation.....	23
An umbrella issue for Toby.....	25
Child poverty as an umbrella issue for Toby .....	25
Arguments against adopting child poverty as an issue for Toby .....	26
Concluding comments.....	27
The options.....	28
Glossary .....	29
Appendix Two: Process for data collection and analysis.....	30
Appendix Six: More detail on spend-down.....	32
Endnotes .....	35

## Background and purpose

The Jayar Charitable Trust (JCT) was established to invest funds for future distribution into the community through the JR McKenzie Trust (JRMT). Since it was established in 1997, Jayar has not contributed a great deal of funds to the JRMT to support its philanthropic aims, in part as in some years the income from the Trust was not sufficient to allow distributions to be made.

Inspired by the late Peter McKenzie, who had a large hand in setting up JCT and was its Chair until 2011, the JCT and the J R McKenzie Trustees have jointly agreed to spend Jayar's capital and income over approximately 20 years. The JCT's funds are to be invested in a specific programme or area of focus with appropriate evaluation, to achieve visible, measurable positive social change. This project has been given an interim name of 'Toby'.

*"This scale of investment in a single project or area could have a really significant impact, generating a much greater 'social return on investment' than could be achieved by continuing the present strategy."  
Peter McKenzie*

The JRMT's vision for 'a socially just and inclusive Aotearoa New Zealand' provides the parameters for Toby, and it has been decided that the project should focus on 'disadvantaged children and their families'.

A Working Group has been formed to guide Toby and a developmental evaluation has begun. At this time, the Working Group sees activities for the project falling into five broad phases of work, which are described below. This report informs decisions to be made at the end of Stage 2 of the project, 'Initial scoping'.

1. Preparation – (Completed)
2. Initial scoping – (Completed)
3. Decide specific focus and the approaches to be used (Underway)
4. Design
5. Implementation (Scheduled to be complete by ≈ February 2034 at the latest)

### This abridged version of the paper

*This document is an abridged and amended version of the options paper which was provided to the Working Group and the JRMT Board to inform their decision making processes. Commentary explaining this abridged version of the document is shown in green (like this text) to distinguish it from the original text.*

# Executive Summary

## Purpose and process

The J R McKenzie Trust (JRMT) is in the process of establishing a new project with the interim name of 'Toby'. This project aims to achieve social change through a focus on disadvantaged children and their families. Conceived by Peter McKenzie, the project will [spend-down](#) a fund associated with the Trust, the Jayar Charitable Trust (JCT), over a period of up to 20 years.

After a brief formation stage, the project's Working Group is now examining how it can narrow Toby's current very broad scope to an area or approach. A paper was developed to outline a set of broad options as part an initial scoping phase for the project.

This document brings together information from a number of sources to inform the Toby Working Group. Sources included interviews with about 50 informants and a review of relevant literature. *Detail of how information was collected and analysed can be found in Appendix 2 on page 30 of this report.*

## Findings

Findings for this scoping stage of the Toby project have been split into a number of sections, beginning with a definition of the project's goal - social change, and its key drivers. *A short glossary of key terms used within this report can be found on page 29.*

### Trust-specific considerations

The role of Trust-specific factors should be weighed carefully in the decision process as the selection of a good option for the project will need to consider the option's fit with the Trust's legacy, interests and with characteristics of the spend down approach.

Trust-specific considerations are examined, such as the principles for the Project (agreed by the Toby Working Group and Board), criteria for decision making (agreed by the Toby Working Group) and the Trust's features and interests. This examination shows that JRMT (and therefore the Toby project) is less constrained than many other funders and that the Trust has an strong legacy of focusing on early intervention, particularly for those who are marginalised, in an attempt to reduce future need for philanthropy. *Trust specific considerations can be found from page 10.*

The [spend-down](#) approach selected for the Toby project places more value on funds invested today than funds invested tomorrow. This contrasts with a perpetual funding model, which values the protection of the capital of an endowment to enable funds to be distributed in the long-term. A spend-down approach is well suited to projects which are time-bound, would benefit from additional scale and security of funding, and have the potential to deliver high social returns on investment.

The Toby project will have considerably more funding available to it over its timeframe than it would if the fund were retained in an endowment. While the amount available for Toby is considerable for the Trust, it is important to remember that this amount is still small compared to amounts spent by government or charitable spending in New Zealand.

### Tapping into collective wisdom

In addition to examining Trust-specific considerations this document also brings together collective wisdom from a number of sources - particularly from interviews with selected individuals and a review of relevant literature. A summary of what the future might hold, another important consideration in the Trust's choice, is also described.

The research conducted to inform development of this paper was significant, but necessarily limited. Even with Toby's total budget it would be impossible to fully research every social need and every possible solution in an attempt to find 'the right' focus for the project. The inside covers of this report illustrate only a small sample of issues and options which may be relevant to a project like Toby. The list of possibilities is almost infinite, and it isn't practical to develop expertise in all areas which may become the project's focus.

Rather, this process relies on those with knowledge (informants and authors of relevant literature) to give us a sense of where suitable opportunities may exist and also to provide important considerations which might be useful for the project. *Detail of how information was collected and analysed can be found in Appendix 2 on page 30 of this report.*

Informants were generally very positive about the Toby concept and the Trust. While there were a great number of suggestions a set of themes emerged and these are described from page 12. Some key differences of opinion between informants and within the literature are also described.

A great deal of discussion with informants focused on the pitfalls of working to achieve complex social change. Respected writers in this area suggest that the ways we are used to working with simple problems do not apply – that there is no easy ‘answer’. They suggest there is a need to be patient and tenacious, learn to fail well, and use an experimental approach to working with these issues (i.e. try, fail, try, fail, try).

Generally, informants and the literature favoured the challenge of a complex social problem, the prioritisation of appropriate monitoring, research and evaluation, and a strategy for helping initiatives to spread to achieve greater impact. Many expressed a preference for Toby to work [upstream](#) although it is useful to keep in mind there are challenges associated with this work. Informants believed that the timeframe for Toby should be led by the project area chosen, and that Toby shouldn’t rush a decision or spread its resources too thinly.

## Options

A large number of suggestions for Toby were offered by informants and the reviewed literature. These were narrowed to three options. **These options all fit within an umbrella issue of reducing child poverty.**

Key reasons for a focus on child poverty include that this topic:

- is a complex issue and is therefore more suited to the Toby timeframe and budget;
- is a real problem of considerable urgency, affecting a large number of children and having a significant range of short, medium and long term consequences;
- amplifies other disadvantages influencing wellbeing, such as disability;
- places a disproportionate burden on Māori and Pasifika communities and on other key groups;
- has significant effects on our economy and requires preventative efforts for amelioration;
- seems to have a ‘weak tide’ of opinion supporting change, a tide which needs strengthening;
- is one where people believe progress is possible; and
- is well-aligned with the Trust’s vision and legacy, and meets the criteria for the project and its principles.

While no-one is suggesting the Toby Project will be able to eradicate child poverty, with careful narrowing it is hoped that the project could help support a sustained shift in a well-defined area. Please keep in mind that there are no ‘right’ answers for this project, this is not a wholly technical process. Rather the focus is on finding an area or areas which are a good fit for the project’s parameters and for the Trust. *A more detailed rationale for the selection of this issue begins on page 25.*

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## Conclusions

The Toby Committee considered the original version of this paper and made recommendations to the Board. The Board then determined the following parameters for further scoping in the next stage of the project:

### **Reducing child poverty should be the overall focus for the project**

Within this umbrella issue, the following approaches are to be further investigated:

**1. Lifting the importance of investing in children to one of national value:** This option relates to changing the conversations New Zealanders have about investing in children, increasing the value we place on such investments and on preventing future need, and thereby giving policy makers greater permission to support policies which will benefit these children. Success at this task has the potential to positively affect all other work being done to support children in poverty.

**2. A collaborative initiative(s) in a geographic area:** This initiative would centre on one or more chosen geographic communities, and would see the Trust fund a project focused on achieving 'collective impact'. Collaborative initiatives are notoriously difficult, but involving a diverse group of people (including those 'living the problem') in working on issues of common interest is one approach to creating sustained change.

One or some combination of these two approaches may be adopted for the project after further investigation during phase three of the Toby project which will be completed by the end of October 2014. Only then will a programme of activities be designed; this may include a call for proposals but this has yet to be determined.

This project's name was changed from Toby to the Peter McKenzie Project in November 2013.

## Acknowledgements

The author of this report would like to thank the Toby Working Group (chaired by Neville Caird), members of the JRMT Board and an impressive list of informants for their support of, and guidance for, the Toby project during its second phase.

She also gratefully acknowledges the special contributions made by Iain Hines and Sam Caldwell for their support and feedback during this scoping phase of the project, and of the evaluator, Kathryn Nemec.

With people like these involved in the project it has a very strong foundation for success.

# Social Change

## Defining social change

The Toby Project aims to achieve positive social change. Various definitions of social change have been proposed but for the purposes of this document, we will consider social change to be:

*“...any significant alteration over time in behaviour, patterns and cultural values and norms. By “significant” alteration, sociologists mean changes yielding profound social consequences<sup>1</sup>.”*

With respect to the Toby project, this social change will be targeted at progress towards ‘a socially just and inclusive Aotearoa New Zealand’ through a focus on disadvantaged children, young people and their families. Within this context, social change may involve changes in attitudes, behaviours, laws, policies, practices and institutions to better reflect values of fairness, inclusion, diversity, wellbeing and opportunity.

The creation social change is inherently complex and takes time, with results being difficult to measure and attribute to particular efforts<sup>2,3</sup>. This kind of change often requires agents to overcome political and organisational influences which attempt to retain the status-quo.

## Drivers of social change

A number of drivers of social change have been described by social scientists and change agents. The table below categorises types of activities which could be funded by the JRMT, providing examples of mechanisms for change and targets. Words in brackets in the activities column indicate those used in the JRMT Strategy (2010-2014), labelled there as ‘what we will do’<sup>4</sup>.

The Trust could fund any or all of these types of activities, preferring to undertake some of the work itself or funding work by existing organisations or organisations created for this project. It is also worth noting that these activities are not exclusive. For example, work focused on item 3, ‘learning’, may also lead into or be done in conjunction with ‘advocacy’.

Activities	Examples of mechanisms	Examples of targets
<b>1. Providing direct funding to increase impact through service provision (fund)</b>	<ul style="list-style-type: none"> <li>• ‘Bright spots’<sup>5</sup>, to help sustain, build or grow their impact</li> <li>• Grant rounds</li> </ul>	Programmes, initiatives or activities
<b>2. Funding to undertake collaborative efforts to achieve impact (convene)</b>	<ul style="list-style-type: none"> <li>• Collaborative efforts to create change, build relationships</li> <li>• (This may also involve service provision)</li> </ul>	Sectors, geographic communities, networks, stakeholder groups, local and central government agencies
<b>3. Funding to develop knowledge, a new product or service (learn)</b>	<ul style="list-style-type: none"> <li>• Research to understand a problem, its costs or benefits</li> <li>• Evaluation of what works with respect to policy and service provision</li> <li>• Development of critical success factors</li> </ul>	Programmes, initiatives, policies, philanthropists, social entrepreneurs
<b>4. Funding the provision of information to educate or advocate on a specific issue (advocate)</b>	<ul style="list-style-type: none"> <li>• Policy change</li> <li>• Priorities, behaviours</li> <li>• Attitudes, values, perceptions</li> </ul>	Public, politicians, groups, regions, communities, public servants

In addition to examining options from the perspective of the Trust and activities funded, options can also be categorised by looking at their strategic focus. Leadbetter and Wong describe options in this way, giving examples within the education field, and categorising them as either improving on what exists, reinventing an area of focus, supplementing what exists, or transforming the sector/area<sup>6</sup>. We will come back to these types of categories when we examine the proposed options for Toby later in this document.

	<i>Formal</i>	<i>Informal</i>
<i>Sustaining innovation</i>	<b>IMPROVE</b>	<b>SUPPLEMENT</b>
<i>Disruptive innovation</i>	<b>REINVENT</b>	<b>TRANSFORM</b>

### Barriers to social change

In recent years there has been a shift in focus for some change efforts, away from attempts to drive social change through government and institutions, towards the creation of change through communities. A more open approach to change has also been proposed, drawing on success from the technology sector which has focused on development of ‘learning networks’<sup>i</sup>, drawing on knowledge from other fields and incorporating the end user in design in a more meaningful way.

Leadbetter and Wong echo this sentiment in their discussion of problems facing education by suggesting that a focus on improving existing systems will be insufficient in breaking the ‘ingrained cultures of low aspiration and ambition’ that underlie persistent inequalities in educational performance’. Rather they suggest a focus on supplementing school systems, reinventing schools and transforming learning<sup>7</sup>.

Chalmers has identified three key barriers to social innovation:

- *Issues relating to complexity*: Addressing complex social challenges requires cooperation across boundaries. Cultures and structures make this difficult and as a result solutions may be incomplete and therefore ineffective as they focus on symptoms rather than causes.
- *Inertia, mixed intentions and low appetite for risk*: Don’t assume that everyone has the common drive to find the best solution to social problems. People have different agendas and some of these reinforce compartmentalised ways of thinking and behaving. Funders (including governments and philanthropists) tend to focus on incremental change due to their low appetite for risk.
- *Existing networks*: Social innovators struggle to make meaningful connections to existing networks because their issues don’t fit with established agendas – they are too messy and too large<sup>8</sup>.

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<sup>i</sup> Such as [Cisco's Learning Network](#)

## Trust-specific considerations

It might be tempting to think the question of what Toby might focus would mostly hinge on external factors (e.g. what area has the greatest need of support), but a large part of this decision relies on an examination of internal variables associated with the Trust, asking the question “What Trust-specific considerations are important and what does this tell us about where Toby might focus its efforts?”.

This section looked at this question in detail, specifically through an examination of:

- The Trust’s principles, features, interests – for example as an independent funder, JRMT faces fewer constraints than many other funding organisations. The values (both explicit and implicit) in its legacy are also important to consider. (thought leadership, independence)
- Characteristics of the fund – for example a spend-down approach concentrates attention on making a difference within a set time frame; yet paradoxically, the long-term nature of this particular opportunity (compared with most funding horizons) enables us to consider what will make a long-term difference.

# Tapping into collective wisdom

The previous section examined factors relating to the Trust which should be considered in the process of narrowing our options. Now we will consider the external factors associated with selection of the focus and approach for the project. What have we learnt from interviews and literature about how we might narrow our focus?

This section attempts to answer this question, specifically through an examination of:

- Our best understanding of what the future might hold (demographics, economy, work, education)
- Findings from our interview process and from the literature reviewed (*detail of how information was collected and analysed can be found in Appendix 2 which begins on page 30 of this report*)

## The problem of an infinite universe

It is important to remember that even using the full budget for Toby, it wouldn't be possible to fully research every social need and every possible solution in an attempt to find 'the right' focus for the project. The inside covers of this report illustrate just a sample of issues and options which may be relevant to a project like Toby. The list of possibilities is almost infinite, and it isn't practical to develop expertise in all areas which may become our focus.

As a result, our process cannot be entirely scientific in its methods, rather it relies on those with knowledge (informants and authors of relevant literature) to provide us with some understanding of where to look for some appropriate options and which considerations might be important for this project. In this sense we are 'tapping into collective wisdom'.

## Our best understanding of what the future might hold

Predicting the future is, unsurprisingly, difficult. However, given Toby's relatively long term, it is useful to look at what the future may hold for New Zealand, in order that we can minimise the chance we end up 'swimming against the tide' in terms of the approach or areas chosen for its focus.

Below are some selected trends as predicted by social scientists and futurists. These come from a number of sources, including Statistics New Zealand<sup>9</sup>, a recent TIME magazine article<sup>10</sup> on the future of work, and a recent Massey University Publication on the future of New Zealand<sup>11</sup>.

### Our people

- New Zealand's population will continue to grow and will contain a greater proportion of Māori and Pasifika peoples
- New Zealand's population is aging, although Māori, Pacific and Asian populations will be younger on average than their European counterparts
- More of us won't be born in New Zealand

### Our economy

- Health costs will be considerably higher
- Tax revenues will be strained due to our older population and this will place additional strain on government funds

### Our work

- Work is likely to be less secure, with more contractors and fewer New Zealanders in jobs with guaranteed hours
- More older people will stay in the workforce for longer to fund their retirements
- Technology will play an ever-increasing role within society including job creation

- Job growth in aged care and education is likely to be strong
- Women will share more in the power – there will be more women professionals and more women with higher qualifications
- People will be employed in sectors which don't yet exist, doing roles which we can't yet imagine
- Collaboration and creativity will be important skills

### **Our education**

- Informal and alternative approaches to education will play an increasing role

## **A summary of findings from the literature and interview process**

A large part of this scoping phase of the Toby project involved speaking with people and reviewing relevant literature. (Further information about the process for analysis is contained in Appendix Two: which begins on page 30. Literature can also be browsed by clicking on [this link](#).)

The purpose of the interviews and literature review process was to seek advice from a range of people on what approaches or areas might be suited to Toby and the JRMT. Findings are presented around key themes below, with some indication of the strength of support for these themes indicated by use of symbols.

Topics in the tables following which were supported by informants are shown with solid green diamonds while those with support from the literature are shown with outlined purple diamonds. The number of diamonds shown for a specific topic denotes the level of support, so five diamonds denotes a very commonly expressed view whereas one diamond denotes a less commonly expressed view.

Interviews with informants were conversational with a semi-structured foundation enabling interviewees to express what was important to them. As a result, not all informants covered the same ground in their interviews, so just because one informant didn't express support for a particular view, doesn't mean they held a contrary view. Equally, missing purple diamonds don't necessarily imply that the literature didn't support a particular viewpoint; just that the literature reviewed didn't focus on this issue. Conflicting viewpoints which were identified are described following the tables.

### **Comments on the JRMT**

Before describing the themes which have been identified, it is worth noting that a number of informants offered their thoughts, unsolicited, about the Trust and its work. Those who expressed such views spoke about the Trust in very positive terms.

Labels such as 'thought leadership' and 'the most adventurous funder in New Zealand' were used. They made comments about the bravery of the Trust in embarking on a project such as Toby, due to the spend-down nature of the project, its term, and the size of the fund.

## Key general themes

Area	Key point	Further detail – general themes
<b>Excitement about the project</b>	Informants were enthusiastic about Toby 	<p>The generosity with which informants approached the interview process was obvious and was likely the result of their high level of enthusiasm for the project and positive views of the JRMT.</p> <p>Many people spoke with us for longer than they had scheduled (in one case two hours longer) and all but two or three informants were visibly excited about the project. Many subjects emailed or followed up after the interview with further thoughts and information and many told us they enjoyed the conversation.</p> <p><i>“Thanks for the loveliest moment of thinking about what the new possibilities might be. Nicest feeling I could imagine.”</i> Informant</p> <p>This positive view of Toby was reflected in number of respondents who contacted us, even weeks or months after their interviews to suggest further people we could talk to, information sources and ideas.</p>
<b>Choice</b>	<p>The importance of picking something which has good fit with the Trust </p> <p>Don't rush to select a focus and define the problem carefully </p>	<p>It is important to choose an area which fits the values and interests of the Working Group and Trustees<sup>12</sup>.</p> <p>A number of informants with experience in philanthropy were clear that this was one of the most important considerations for the Trust, particularly given the lengthy proposed timeframe for Toby.</p> <p>The process for narrowing the options should not be rushed, and there should be a thorough and careful process used to define the issue of focus for Toby.</p> <p>There is literature supporting this view - stating that failure to innovate or create breakthrough solutions which are required to address complex challenges relates to hasty definitions of the problem or issue at hand<sup>13,14,15</sup>. This view was supported by those who suggested the process for defining the issue should be rigorous and that this requires significant time.</p> <p><i>“If I were given one hour to save the planet, I would spend 59 minutes defining the problem and one minute resolving it,”</i> Albert Einstein, cited in the Harvard Business Review<sup>16</sup>.</p>
<b>Funding</b>	<p>Don't spread the funding too thinly </p> <p>Hold back some funding </p>	<p>Informants were clear in their view that the fund, although large in some respects, isn't a huge amount given the types of issues the Trust may wish to be involved in.</p> <p>As a result, they felt strongly that it was important to choose a small area in which the Trust wanted to create change, rather than spreading the fund too thinly. Two key informants shared this view:</p> <p><i>“You need to be sure what you propose is well funded.”</i></p> <p>A number of informants with experience in philanthropy noted the importance of holding back some of the funding for this type of project, as a contingency.</p>

Area	Key point	Further detail – general themes
<b>Timeframe</b>	Timeframes should be led by the needs of the initiative ◆◆ ◇	There was a strong view that the timeframe for the project needs to be determined by the specific focus chosen, rather than being predetermined. Project management theory supports this view. A number of informants believed that 20 years was too long, with a number suggesting 10 or 15 years as a more reasonable timeframe for the project.  There was not full agreement on this issue however, with a few informants suggesting that the project should be split into 3-5 year cycles with the focus on a different initiative in each cycle.
<b>Retaining momentum</b>	Keep the JRM Trustees and the Toby Working Group involved ◆ ◇	A number of informants with experience in philanthropy and key literature such as Katharine Pearson's paper about learning from the McConnell Foundation <sup>17</sup> noted the importance of keeping the Board and Working Group engaged with the project, and involving them in some considerable detail. The long term success and continuation of important projects such as Toby requires a level of understanding from these groups which may not be needed with simpler projects.

### Themes about types of initiative or approach

Area	Key point	Further detail – initiative or approach
<b>Complex social change</b>	Working with complex problems is a difficult, lengthy process but one people are starting to understand ◆◆◆ ◇◇◇	Informants and literature both supported the idea that problems labelled as 'complex' are where the real learning is taking place in societies around the world, and where real gains are to be made ('radical efficiencies'). Simple and complex problems are discussed further from page 20.  There was a strong belief that the mislabelling problems as simple and working on them as though they were simple results in ineffective solutions, making sustained progress elusive.  The views of informants and literature on this issue are well developed, and demonstrate considerable learning on how to work with complex problems.
<b>Failure</b>	<a href="#">Failing well</a> is important ◆◆ ◇◇◇	Learn how to 'fail forward' - there is no easy solution, so some things won't work. If this wasn't the case, these complex social problems would have been 'solved' already.
<b>Moving to a more preventative focus</b>	<a href="#">Moving upstream</a> is important yet downstream funding can be easier to obtain ◆◆◆ ◇◇◇	The system's status quo is often set up to manage current need and focus on the short-term, not reduce future need or focus on the long-term. Many organisations are sustained by the status quo of attempts to meet current need.  Politicians find it easier to work on current service delivery rather than prevention as it provides evidence they are doing work which makes a difference within an electoral cycle or two. Funders may find preventative work hard to support as it is hard to measure impact, it takes longer, and attribution is often more difficult.

Area	Key point	Further detail – initiative or approach
Voices	Importance of diverse voices 	<p>A number of informants commented on the value and challenges of having a diverse range of voices commenting on society, decision making and policy. Difficulties associated with NGOs having their voices heard by government were also raised<sup>18</sup>.</p> <p>Politicisation of public discussions about issues affecting children was also frequently mentioned by informants as a problem, one which detracts from the real issues and stifles real dialogue.</p>
Existing initiatives	There are many and they can be hard to sustain 	<p>There are many ‘pockets of excellence’ or ‘good initiatives’ operating in local communities with engaged philanthropists and committed community staff.</p> <p>This was seen as a sign of the high levels of energy which exist throughout society for creating positive change. Many of these pockets struggle to secure sustainable funding, even where there is reasonable evidence of success.</p>
Service provision	Service provision on its own isn’t going to create a shift 	<p>A number of informants, including those with experience in philanthropy, suggested that organisations like JRMT can’t possibly fund services for all people to fill all the gaps, forever. Philanthropy can’t be expected to fill all the gaps in the system by funding service provision.</p> <p>This means that philanthropic organisations need to look carefully at how they can add value to the system – a great deal hinges on strongly developed intentions, providing a platform for learning and spreadability.</p>
Research, measurement and evaluation	Utilise evaluation & research 	<p>The importance of appropriate research and evaluation was not in question in either the literature or the interviews with informants. Peter McKenzie was among those who noted the importance of evaluation for the Toby project.</p> <p>A number of informants mentioned the value of research and evaluation in social change projects, and noted that a significant proportion of service provision initiatives in New Zealand do not contain appropriate measurement, evaluation or research.</p> <p><i>“There are lots of do-gooders. Everyone thinks their project is the best. Lots of money is wasted.” Informant</i></p> <p>While there is significant research on many social problems, there is less research on what works to alleviate these issues; the relationship between science and policy development is sometimes not strong enough.</p> <p>A good understanding of the costs and benefits of particular initiatives or programmes often doesn’t exist – particularly where these costs or benefits accrue outside the area in which the programme operates (e.g. understanding education benefits resulting from dealing early with health problems such as poor vision or hearing.)</p>
Up-scaling or spreading	Skills, processes and funding models to promote greater impact are important and lacking 	<p>Echoing sentiments from the items above, many expressed the view that Toby’s challenge may not be in the creation or support of new ideas but in the learning from existing initiatives to see greater benefit for a greater number.</p> <p>The concept of up-scaling has been replaced in some informants’ minds, and within some literature, with one of ‘spreadability’, meaning that understanding the critical factors for success were important to ensure initiatives could spread into new communities, rather than the idea that these initiatives should be replicated, like a franchise.</p> <p>There was however some caution expressed that size shouldn’t be used as a proxy for</p>

Area	Key point	Further detail – initiative or approach
		<p>impact. In addition, the people suited to sustain and spread initiatives are often different from those who initiate projects – this pertains to funders and those working in the field)<sup>19</sup>.</p> <p>This point relates both to a lack of research and evaluation (which can measure efficacy and identify critical success factors), and to difficulties associated with spreading initiatives.</p>
<b>Collaboration</b>	Lacking but important 	<p>Meaningful collaboration was seen as lacking but important, as this is one key way to create a shift around complex social problems. Collaborative efforts, such as those focused on a particular community, held interest for many informants.</p> <p>Informants saw this as being particularly relevant to collaboration among and between government departments, NGOs and businesses.</p>
<b>Difficult financial times</b>	Innovation can be sparked by difficult economic times 	<p>A small number of informants and some literature suggested that difficult financial circumstances result in innovation; and that some countries (such as Canada) are far ahead of NZ with respect to social innovation as we haven't 'hit the wall' in the same way other countries have<sup>20</sup>.</p> <p style="text-align: center;"><i>"It would be a shame to waste a recession." Informant</i></p> <p>There was also a view expressed by a number of informants that innovation used to be a regular focus of philanthropy in good times, but currently NZ philanthropic efforts are often stuck in service provision, not even innovating in the good times when they have more money to spend. This was seen as a problem.</p>

### Potential areas of focus

Informants made many suggestions about the possible areas of focus for a project such as Toby. Some of the more commonly mentioned areas can be found in the table below. The literature reviewed was in part determined by suggestions made from informants, so views from the literature are not included in this table.

Area	Key point	Further detail – potential areas of focus
<b>Poverty and/or inequality</b>	Significant issue which needs further support 	<p>Many informants raised this issue as a key to a prosperous, healthy, happy nation. There was a view among many that there has been some progress made on this issue, although much more work was needed to see any shift in public understanding, political will, or policy and practice.</p> <p style="text-align: center;"><i>"This is something which has been in [the Trust's] sights for over 20 years. It has got to be social justice and inclusion driven. But poverty has lots of groups operating there, and JRMT has put lots in there over time." Informant</i></p>
<b>Public dialogue on investing in children</b>	Quality of discussion not high 	<p>Many informants noted a lack of public dialogue on important issues such as poverty and that discussions tend to be filled with rhetoric, include a small number of views, and of poor quality.</p>

Area	Key point	Further detail – potential areas of focus
<b>Public policy</b>	<p>Current arrangements can limit change and long-term 'whole of government' thinking. Policy is difficult to influence.</p> <p>◆◆◆</p>	<p>Despite the significant public funds expended by government, contracts with service providers are focused on activities rather than outcomes, stifling innovation and making long-term thinking more difficult.</p> <p>The 'system' doesn't support long term thinking –it comprises a large number of silos making it difficult for ministers and public servants to focus on long term outcomes and cost reduction across the whole of government . Instead it prioritises reduction of short-term risk.</p> <p>Many acknowledged that while public policy was a problem in many respects it was difficult to influence, particularly directly.</p> <p>Loss of many public servants, some long serving and with deep institutional memory, and a professional focus and agenda, was seen as a problem by a significant number of informants.</p>
<b>Investing early</b>	<p>Importance of investing in early childhood (including pre-conception)</p> <p>◆◆◆</p>	<p>Many informants stressed the importance of investing in early childhood, including the months before conception, in order to give children the best start. For this work to be successful, further coordinated efforts later in childhood are also required, but these early efforts are particularly important as they are effective at reducing downstream costs and provide good value for money.</p>
<b>Justice</b>	<p>Providing a better start for children of those involved in the justice system would be a useful focus</p> <p>◆◆</p>	<p>This area was favoured by a group of informants who felt that better understanding how to work with those in the criminal justice system would assist them, and hence their children, to improve their lives.</p> <p>There was a belief from some informants that justice was not being seen to be done within some communities and that this was contributing to future problems. Some might categorise work in this area as mid-stream rather than preventative.</p>
<b>Education</b>	<p>Improving access to high quality education is a key preventative activity</p> <p>◆◆◆</p>	<p>This area was strongly favoured by informants, who identified a number of issues limiting progress in this area:</p> <ul style="list-style-type: none"> <li>• While overall the education system is working well for most children, significant outcome inequalities exist for children, particularly those in low decile schools as this group perform significantly worse than their higher decile counterparts</li> <li>• A lack of evidence-based policy being implemented in education An underinvestment in early childhood and primary education for New Zealand children</li> <li>• Issues with children not being excited by learning or reading, which results in lower engagement and impacts on outcomes</li> </ul>
<b>Employment</b>	<p>Training and high quality employment for young people</p> <p>◆◆</p>	<p>A number of informants suggested work with young people to reduce the high proportion of under 25's not in education, employment or training (NEETS).</p> <p>The focus should be on jobs with higher wages, which were more secure and provided more meaning to young people than many of the existing options.</p>
<b>Parenting</b>	<p>Poor parenting skills and improved resilience</p> <p>◆</p>	<p>A number of informants suggested that working with vulnerable families to improve their parenting skills would be a worthy project for Toby. This might involve increasing families' capacity to deal with challenges.</p>

## Tensions and incongruities

Informants expressed views on a huge variety of topics and different informants suggested different priorities for the project. There were a smaller number of topics which demonstrated tension between the views of informants or those expressed in the literature:

### *The service provision question*

Some informants believed strongly that any Toby project should be concentrated at the grassroots and focused on service provision, while others believed equally strongly that the greater potential value was higher up the chain, in advocacy for policy change, public education or other approaches. Some informants suggested that advocacy would only work if it was linked in with grassroots service delivery. Our key informants suggested that service delivery would be useful only as a tool for providing proof of concept, and as a focus for advocacy around policy, rather than as a core focus in its own right.

### *Long term focus*

While a large number of informants immediately liked the idea of having a long-term focus for the Toby Project and complained about the consequences of short term thinking on complex social issues, there were a number who cautioned about the optimal length of the project. A shorter length was suggested by some while a good number of others and the literature supported the idea that the *project's focus* should dictate the timeframe for the project and that the timeframe shouldn't be set in advance. This last group often suggested that having the scope for a longer project could be useful, but that setting a longer timeframe would only mean that the project takes that time, plus longer.

*“So many policies and projects are short-term.  
It is great to see some [are] thinking longer-term.” Informant*

### *Supporting new or existing initiatives*

Some informants believed strongly that to have any chance at success Toby should focus on creating something new and that in doing that, new solutions to existing problems which have not yet been resolved would be realised. On the other side, many others believed that there are many 'pockets of excellence' already in existence which struggle for sustainable funding, and that to begin something new would only make it more difficult for existing projects to become sustainable and transformative.

### *What are we missing?*

A reasonable number of informants expressed a view that there has been enough research done on the issues raised and possible solutions that everyone should know how to make progress. Others felt more research was needed before any clear pathway forward could be taken. While to an extent this will depend on the topic in focus, there may be a difference in the types of research being discussed.

It seems that people believe many of the issues have been described in sufficient detail to understand we need to take action (e.g. the long tail of underachievement in education, child poverty, and mental health in young males) but that in some areas further research needs to be conducted on what works to ameliorate these issues in the local environment.

A small but significant number of informants felt frustrated with government (ministers and/or officials) when they feel research, inquiries or white papers are commissioned. They perceive these measures are being used as a delaying tactic by government - to obfuscate the real issue which they don't want to, or cannot, address.

### *Hand over responsibility*

While the majority of informants believed strongly that the JRMT should play an important role in making decisions over the use of the JCT fund, one informant felt that a viable approach for the Trust was to hand over the fund to one of the major science funders such as the Health Research Council. The suggestion was that the Trust could put some parameters on how the fund could be used, but that research is inherently useful and that such a fund has strong processes in place for distributing funds in this way. This assertion was based on a view that there is not sufficient information about what works in New Zealand. This is a view not shared by all other informants and it relates to the next item.

### *The “my project is the one” issue*

Generally, informants fell into one of two categories – those who felt their idea or initiative is the best, or those who warned us to be wary of those who said their initiative is the best, and that they had the answer.

The literature around dealing with complex problems also warned of the risks associated with buying into the idea that any single programme or initiative will be a panacea.

*“Move away from everyone who says they have the answer. They are not changing the system, only filling a gap.” Informant*

From a distance it is easy to see that no one initiative or programme is likely to provide ‘the solution’ to a complex social challenge. However those committed to a particular initiative often have huge personal investment in it and sometimes these initiatives do have significant impact. They are almost forced into the ‘simple solution’ argument when communicating with potential funders. Without giving compelling evidence of the potential effectiveness of their initiative why would a funder invest?

## Further detail in key areas

Three key issues arising from interviews and literature are examined below, particularly to assist the Working Group develop a common language for talking about these issues, but also to help develop a deeper understanding of the issues associated with these core themes. Three of these three issues are discussed here. A fourth issue which was commonly raised, collaboration, is discussed in subsequent sections of this document.

### Complexity

Many people we interviewed, and much of the literature reviewed for this paper, focused on the distinction between simple or complicated problems and those which are viewed as adaptive or complex.

It has been suggested that many of the big issues facing societies today are in this *complex* category and that as such they are even hard to define, with different groups and individuals having different, valid viewpoints on the causes of these issues and what to do about them<sup>21</sup>. Theory proposes that attempts to apply methods appropriate for solving simple or complicated problems to those which are in fact complex results in poor outcomes and may cause significant harm<sup>22,23</sup>.

Some features of simple, complicated and complex problems are shown in the table below. These have been adapted from work done by Hiefetz and Laurie and by Westley and Patton<sup>24,25</sup>.

Type	Simple problems Other labels: <b>small problems</b>	Complicated problems Other labels: <b>technical or technological problems</b>	Complex problems/challenges Other labels: <b>Adaptive, wicked, messy, super-messy</b>
<b>Features</b>	<p>Easy to identify</p> <p>No particular expertise is required</p> <p>The solution is repeatable with the same result each time</p> <p>A good set of instructions will provide information on how, what and when, but you have some latitude</p>	<p>Easy to identify</p> <p>Can often be solved by an 'expert'</p> <p>The solution is repeatable</p> <p>With the right components in place in the right way, you are certain to succeed</p> <p>Can be solved within boundaries</p> <p>Can be implemented relatively quickly</p> <p>People like these and are receptive to solutions</p>	<p>Difficult to identify</p> <p>Change requires changes in values, beliefs, roles, relationships and approach</p> <p>Those living the problem need to have a part in 'solving' it</p> <p>Work across boundaries is needed to make progress</p> <p>The idea of solving problems and this language may not be that helpful</p> <p>People don't like the concept and may not be able to acknowledge complex challenges even exist</p>
<b>Examples</b>	Baking a cake	Getting to the moon, creating a vaccine, building an engine	Raising a child, poverty alleviation, population control

### Working with complexity

Key difficulties in working with complex challenges, and advice on ways of working with these, are listed below:

- It is hard to define the problem(s) and goals for these projects but careful definition is no less important. Don't rush to define the problem or devise a plan to 'solve' it – there is no panacea. Fund the thinking; don't rush into service provision - if that was the answer we wouldn't still be dealing with these problems<sup>26,27</sup>.
- Progress can be difficult and is not directly related to effort in a linear way, progress can slow to an almost glacial pace at times, and can hard to measure and attribute. Tenacity is vital.

- Funders must stay open to emergent solutions – planning for this work isn't the same as with simple problems, don't over-specify and leave some funding aside as a contingency.
- Initiatives and approaches should be seen as 'better' or 'less bad' and not 'right' or 'wrong' – the old language doesn't fit when working on a complex problem.
- Measurement is important and tricky, and attribution very difficult. Have a careful measurement strategy and be sure to thoroughly understand what it is you are measuring and why it is important<sup>28,29</sup>. Even when things are working well you may not see results for five or more years. Prepare the Board and Working Group for this eventuality.
- Collaboration across boundaries is required, as is working with conflict and diverse agendas. Use knowledge of systems, complexity and change to assist the project to succeed.

Complexity theories and the studies of complex adaptive systems, provide useful insights into why transformational change efforts fail<sup>30,31,32</sup>. Systems thinking<sup>33</sup> and knowledge about how to [fail well](#)<sup>34,35,36,37,38</sup> can also be used to assist with this work.

It is worth keeping in mind that learning from these fields of study does not always align with the usual way of thinking about problems. As a result, funders need to be alert to the importance of accepting the unpredictable nature of social change processes<sup>39</sup>.

### What does this mean for Toby?

With the amount available for this project and a long timeframe, JRMT is well placed to choose a complex problem as the focus of the Toby Project. Although this may sound rather tricky, and as these issues have been known to cause paralysis, there is a significant and growing body of knowledge on how to address complex or wicked problems.

*“Above all, funders should accept that complex is not synonymous with unmanageable and that there are recognised guidelines that can help maintain a consistent direction at all stages, from choosing an initiative to measuring results.” Katharine Pearson, JW McConnell Foundation<sup>40</sup>*

The Trust is already using some of these approaches: working with groups across boundaries to encourage collaboration, changing the way we think about difficult issues and working to support change through people living the problem.

Increasing the capacity of JRMT and others to make progress on complex problems is a worthy goal in itself, almost regardless of the progress made on individual projects.

There is a sense in the literature and from speaking with informants that the focus on improving how we work with complexity is not a passing fad, and that skills required for this work could be further developed through working with evaluators skilled in developmental evaluation. Aiding Trustees, the Toby Working Group and or staff members at the JRMT to build on skills in this area may also be worthwhile.

### Focusing upstream

There are a number of levels on which individuals, groups and agencies might reduce harm:

- *Downstream*: Coping with the consequences of harm by attending to specific individuals. Examples: Surgery to repair heart damage following a cardiac event, hip replacements.
- *Midstream*: Aim to mitigate the effects of harms which have already occurred or are likely to occur through a focus on groups and individuals considered 'at risk' or vulnerable. Examples: 'green prescriptions' for those patients who are overweight, remedial reading programmes for children whose reading skills would benefit from improvement.
- *Upstream*: Aim to prevent harm before it occurs or reduce the risk of harm. The focus here is usually on populations and systems. This kind of prevention works best from the bottom up but this can be challenging. The reasoning is that unless we focus on this, we will be locked into meeting immediate (downstream) needs in an environment where this is harder and harder to fund within

public and private budgets<sup>41</sup>. Examples: Insulating state houses, encouraging people to walk to work<sup>ii</sup>.

There a number of advantages associated with focusing upstream, including that it creates better conditions for building human capabilities, improves use of limited public resources, reduces downstream costs and helps guard the future for later generations<sup>42</sup>. In addition to these already compelling advantages, it is interesting to note that some thinkers in this area believe that choices which don't reduce future need may be unethical<sup>43</sup>.

However, while there is almost unanimous agreement in principle about the importance of investing in prevention, this often doesn't translate into spending reprioritisation. Even in areas such as crime, health and early childhood, secondary prevention has generally been favoured over primary prevention<sup>44</sup>.

Even in the area of healthcare where prevention is perhaps more advanced, only a small proportion of expenditure is spent on prevention. In the UK only 4% is invested into prevention<sup>45</sup> while in New Zealand it has been estimated that 5.9% of health expenditure in 2009 was devoted to prevention, with a total of 4% spent in the area of 'public health'<sup>46</sup>.

While a number of barriers have been identified to upstream intervention, none of these negate the need for this work. Barriers include:

- People are often already committed to helping those who are already needy and may see prevention as a diversion
- Rescue and cure have immediate, measureable results and these can be compelling, in part as they are easy to communicate to others, and more emotionally persuasive to funders ('we and our voters can see the difference our funding is making')
- For an indeterminate period of time, whole system spending on all remedies will need to increase (spending to address immediate need *and* spending on prevention) as preventative work takes time to reduce immediate need; this may be difficult, particularly for government
- Prevention is often more challenging: it is complex (see above), may require cross-boundary collaboration, and is harder to measure than mid or downstream activity. Therefore it is politically harder to sell<sup>47</sup>
- The threshold required to initiate a new intervention may be higher for prevention when compared with provision of downstream health services; often measures relate only to financial costs and this can be problematic<sup>48</sup>

### **What does this mean for Toby?**

As noted previously, many people we interviewed and much of the literature reviewed for this paper focused on thinking about moving upstream and the importance of this focus for philanthropy. Criteria for Toby also focus on the importance a preventative focus and on of efficient use of resources.

The JRMT already has a preference for working on midstream or upstream projects and has a long history of funding early intervention.

Although two informants questioned the value of using the 'language of prevention', it would seem useful as a construct for the project even if in practice options may be harder to categorise. A great number of informants mentioned the importance of working on prevention, either directly or through their focus on specific preventative interventions such as early childhood education.

Some suggestions for this work include: being clear about goals; measuring broadly for social, economic and other outcomes; involving a range of people in decision making; and understanding who gains and loses-out as a result of a particular intervention<sup>49</sup>.

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<sup>ii</sup> There are many labels given to these levels of prevention, for example, upstream intervention has been labeled primary or preventative; midstream as secondary or mitigation and downstream as tertiary or coping.

Researchers in this area caution those wanting to focus on prevention that they should pay attention to unintended negative consequences of such work. Introduction of new incentives and policy mechanisms to support prevention can be helpful, as can new ways of measuring the value of prevention<sup>50</sup>. Examples of policy mechanisms supporting prevention might include the government subsidy on insulation for older homes or the introduction of Kiwisaver to assist New Zealanders to save for their retirement.

## Research and evaluation

The importance of research, evaluation and measurement was also emphasised by many informants. Much of the literature focused on the crucial nature of these functions in achieving change, including in the identification of critical success factors which make it easier for an initiative to spread.

Terms like research, monitoring and evaluation are used in many ways. To encourage a common understanding of the meaning of these key terms among the Toby Working Group, they are outlined in the table below.

Monitoring	Research	Evaluation
<p>Monitoring is the continuous assessment of an intervention and its environment with regard to the planned objectives, results, activities, and means. This measurement ideally takes place at all levels and may use formal reporting and informal communications.</p> <p>Monitoring enables a stakeholder to review progress and to propose action to be taken in order to achieve the objectives. It identifies actual or potential successes or failures as early as possible and facilitates timely adjustments to operations<sup>51</sup>.</p> <p>Purpose: To allow focused improvement</p>	<p>The main difference between research and evaluation is that research is usually conducted with the intent to generalise the findings from a sample to a larger population.</p> <p>Evaluation, on the other hand, usually focuses on an internal situation. In other words, research generalizes, evaluation particularizes.</p> <p>Purpose: To investigate and conclude and/or prove<sup>52</sup></p>	<p>Evaluation is a systematic and objective assessment of the design, implementation and outcome of an ongoing or completed intervention<sup>53</sup>.</p> <p>This enables judgements to be made about the value of a programme (of learning) and its effectiveness and/or efficiency in achieving a set of outcomes and other unintended effects<sup>54</sup>.</p> <p>Purpose: To learn and improve</p>
<p><b>Example:</b> See Here (a previous JRMT programme) measured progress towards its goals (recommendations) regularly using a simple 1-10 scale.</p>	<p><b>Example:</b> See Here commissioned a research project on the effectiveness of prescribing spectacles to children with myopia and hyperopia.</p>	<p><b>Example:</b> See Here employed a developmental evaluation to aid reflection and learning throughout the project. Findings from this evaluation were distributed to relevant stakeholders on completion of the project.</p>

Even basic monitoring is missing from some community-based initiatives. One initiative in the community known to the author of this report has been operating for 20 years without any kind of monitoring of either how families experience the service or even how many people are receiving it. Volunteers involved are highly committed to their work; they believe they are making a difference, but the people running the programme don't believe they have the skills or time to try and put in place a monitoring system for their programme, let alone do research or raise funds for these activities.

Some government-funded activities were criticised by some informants for being focused solely on measurement of activities or inputs, rather than on measuring impact or outcomes. Part of this was attributed to the difficulties associated with managing risk and short-term focus in government departments. Others attributed it to a lack of understanding of research process and skills around data analysis within government and its contracted providers. This is discussed further on the following page.

*“Much in our social support system has been developed without a strong evidence base, and new programmes are entered into without establishing monitoring regimens or defining what success is... As a result, such programmes trap governments in long-term investments of probable marginal or even counter-effective value<sup>55</sup>.” Peter Gluckman*

**What does this mean for Toby?**

The focus placed on this area by informants and the literature would suggest that any Toby initiative would do well to incorporate research, evaluation and monitoring. Not all programmes have a strong focus in these areas and those with strong skills in the initiation or management of initiatives are not always skilled in these activities. Capacity building for programme staff may be helpful and/or external support to develop and implement measurement frameworks or conduct research.

Informants were clear that measurement of progress towards social change can prove challenging and that it is important to think carefully about what is being measured, why it is being measured and what measurements mean. Unintended consequences associated with measurement of proxy variables were also mentioned as a real problem.

# An umbrella issue for Toby

This section describes options for the project considering factors relating both to the Trust and to the knowledge and wisdom we have tapped into through our data collection process.

## Child poverty as an umbrella issue for Toby

As mentioned previously, work on a complex social issue would seem to be a good focus for Toby, given the timeframe for the project and the fund available.

While a number of approaches and important factors were commonly suggested in the literature and interview process (e.g. collaboration, prevention, complexity, research and evaluation) only one subject area was identified by a substantial proportion of informants, either directly or indirectly. This subject area was poverty, particularly poverty as it impacts on children.

By focusing on child poverty as an umbrella issue, the options for the Toby project are narrowed considerably to an issue which is well aligned with both trust-specific and external considerations.

## Poverty and/or inequality

In addition to the absolute levels of poverty experienced by many New Zealanders, income inequality was also mentioned by a number of informants, sometimes indirectly or without using the term 'inequality'. Some thinkers, such as Richard Wilkinson (co-author of *The Spirit Level*) would argue that inequality is in fact the cause of various social issues. New Zealand's income inequality is significant. Our society was once relatively equal but that is no longer the case: in recent decades inequality has increased more quickly in New Zealand than in any other comparable country (though the increase has abated in recent years).

While this section of the paper focuses on child poverty and the reasons for adopting this issue as the umbrella for the Toby project, careful consideration would need to be given, during the project's coming phases, to the interplay between child poverty and inequality and what this means for the Toby project.

## What is it about child poverty as an issue which makes it important?

There has been a great deal written on the value of addressing child poverty in NZ and how one might go about it, although much of this focuses on technical solutions. Good examples of local work in this area include the [Expert Advisory Group's report on solutions to child poverty \(2012\)](#), [Every Child Counts' paper on eradicating child poverty in New Zealand \(2010\)](#), the [Child Poverty Action Group's paper on how policies are failing our poorest children \(2011\)](#) and the [Public Health Advisory Committee's 2010 report on Achieving effective action on child health and wellbeing](#).

At considerable risk of providing a second-rate synthesis of information presented by experts in this field, key reasons in support of the adoption of this issue as the focus for Toby are described below.

- Poverty affects many New Zealand children in a significant way:** There is significant evidence that child poverty exists and that it is causing significant problems in New Zealand. It is a substantial source of disadvantage, affecting many children profoundly for a long period in a number of ways:
  - Estimated by the Office of the Children's Commission to affect 270,000 New Zealand children<sup>56</sup>, there is strong evidence that the problem is real, even without official NZ measures<sup>57</sup>;
  - The problem has significantly worsened since the 1980's regardless of the measures used<sup>58</sup>;
  - Increased child mortality, particularly for Pacific and Māori children<sup>59, 60</sup>;
  - Increased morbidity e.g. from respiratory infections, skin conditions<sup>61</sup>, poorer mental health;
  - Poverty is associated with higher incidence of child abuse and neglect<sup>62</sup> and childhood injury<sup>63</sup>, poorer educational achievement, and increased spending on protective care<sup>64</sup>; and
  - Poverty can leave long-term scars<sup>65</sup>.

2. **Poverty is both a cause and an effect and it exacerbates other disadvantages:**
  - Issues caused by poverty are in-turn causes or contributors to a string of other problems<sup>66,67,68</sup> (e.g. poor quality housing and overcrowding lead to avoidable hospitalisation for respiratory conditions, stretching limited health resources);
  - Some of these issues are known to contribute to future poverty (e.g. poorer access to early childhood education will result in reduced educational outcomes and this will increase the likelihood that a child will be in poverty as an adult);
  - Poverty exacerbates other disadvantages (such as those relating to disability for example); and
  - Progress on this issue therefore has the potential to multiply the effects of other work.
3. **Māori are disproportionately affected by poverty, as are other minority ethnic groups, particularly Pasifika populations.** For example, 'Child poverty rates differ significantly by ethnicity in New Zealand. Poverty rates (after housing costs) for Māori and Pasifika children are around double those of Pākehā<sup>69</sup>. Given the importance of these groups in New Zealand's future workforce, high rates of poverty among Māori and other groups is an issue which will have significant impact on NZ's future economic standing.
4. **Poverty places a disproportionate burden on young children**, particularly younger children who are more likely to be in poverty. New Zealand's relative underinvestment in services and support for the young means this group is already disadvantaged in the current system<sup>70,71</sup>.
5. **Poverty has significant effects on the economy** as a whole, and on individuals who are not directly affected by poverty themselves<sup>72</sup>. Economic costs of child poverty are estimated at between \$6 and \$8 billion per year and these costs will continue for many years, and will damage our national prosperity if the issue is not addressed<sup>73,74</sup>. Downstream remediation of the effects of poverty is expensive and an inefficient use of public and private resources (e.g. avoidable hospitalisation)<sup>75</sup>. The predicted growth in populations experiencing high levels of poverty will likely have negative economic effects.
6. **Poverty is a moral issue**, particularly as children have no control over their situation or circumstances<sup>76</sup>, and one which has human rights implications.
7. **Not enough progress has been made but now is the time to address this issue:**
  - Not enough progress is being made on this issue but people with a good understanding of the issue believe progress is possible<sup>77</sup>. They cite NZ's significant improvements in the living standards of older New Zealanders, very few of whom live in poverty<sup>78,79</sup> and success in achieving and maintaining reduced poverty rates within some European countries<sup>80</sup> as reasons for their optimism;
  - There is evidence about what works and moving to alleviate poverty by working upstream and intervening early is valuable and has the potential to provide a high return on investment<sup>81</sup>; and
  - Many informants believe there is a 'weak tide' developing on this issue, which (while it needs support to grow) indicates ripeness for change.

#### **Fit with JRMT vision, and the opportunity presented by Toby**

- This focus is well aligned with the Trust's vision of "a socially just and inclusive Aotearoa New Zealand" with specific focuses on 'disadvantaged children and their families' and 'Māori development'; its strategic goal of "reduced disparities in social outcomes"; and other work that it supports and is undertaking.
- It is also well aligned with Peter McKenzie's vision for Toby, and the principles and criteria that have been developed for the project.
- It lends itself to a long-term approach: it is complex, and improvements will take time and perseverance.

#### **Arguments against adopting child poverty as an issue for Toby**

There are a number of arguments which could be made against the choice of poverty as the central focus for the project. These have been paired with counter-arguments below:

- *People have 'poverty' fatigue:* A significant amount of attention has been paid in recent years to the issue of child poverty yet this issue is seen by a good number of people as intractable. For others the term doesn't hold a great deal of meaning or they may see this issue as too big to address or not an issue for them or *'people like them'*.

These perceptions don't negate the fact that this issue is real and change is needed. In order for change to occur work is needed on the fatigue itself.

*"Nevertheless, using various approaches to poverty measurement, whether based on relative income thresholds or on rates of material deprivation, child poverty in New Zealand remains a critical social problem." Jonathan Boston<sup>82</sup>*

- *The problem is way too big:* Some may say the problem is too large, and that the Trust couldn't possibly look to making a difference on such a significant problem with its budget.

This comes down to the scope of focus for the project, and not spreading the Trust's limited resources too thinly but instead determining what roles it can play within this field. Addressing child poverty is big and complex, and will require joint effort; but there is no reason to believe that a carefully targeted contribution from Toby can make no difference.

- *This issue is too political:* Some might argue that the issues of poverty and inequality are inherently political and therefore the Trust should stay away from this area.

While it is true that some parties have taken positions regarding child poverty, there is strong evidence that child poverty is an issue not only for individuals but for society as a whole; it is therefore a matter of considerable public interest. There is an argument that work on this issue will therefore need to transcend party politics to gain traction and create a significant shift.

- *There are already significant players in this space:* While the number of groups seeking change in this area has grown, particularly over the last 15 years, many informants working inside existing organisations note that further efforts would be valued. In this, as in any field, it will be important to reduce the risk of duplication of efforts and maximise the potential of collaboration.

## Concluding comments

New Zealand's child poverty is a significant issue which won't be going away without major shifts in the way we approach, define and address complex problems.

Work on this issue was strongly desirable in the eyes of many informants, it was often assumed to be an obvious option for Toby to consider: "Well of course there is child poverty...and there is...".

Naturally, it won't be possible for the Trust to eliminate poverty and its effects with the funding available – it will take many groups and agencies working over a long period for a shift to occur – this paper suggests that Toby become one of those agents. While this perhaps isn't as attractive as starting something new or doing something for which the complete results can clearly be attributed to the Trust's funding, the resource and particularly the time frame offered by Toby could surely make a significant difference.

While it is proposed that child poverty should be the target for Toby, ultimately improving outcomes for these children as they grow and become adults, the evidence suggests that to affect such change will clearly require work with families. Further work on defining the specific aims for the project (including whether the focus should be on absolute poverty prevention or on reducing inequality) will be a critical factor for the success of the project. Consideration and involvement of Māori and Pasifika in this work will be important as half of all children living in poverty are from these two groups.

It will be also be important for the Trust to ensure its focus is sufficiently narrow within this area to allow its funding to make a difference. The following section begins this work by laying out proposed broad options for Toby within the umbrella issue of child poverty.

# The options

*This section outlined potential options for Toby which were indicated by informants and the literature and which are well-aligned with the project's principles, the Trust's legacy and interests, and the criteria set out for the project. Three options were presented and analysed in considerable detail in the full paper. A short summary of the original section is included below.*

**Within this umbrella issue, the following options are suggested for Toby.**

**1. Lifting the importance of investing in children to one of national value:** This option relates to changing the conversations New Zealanders have about investing in children, increasing the value we place on such investments and on preventing future need, and thereby giving policy makers greater permission to support policies which will benefit these children. Success at this task has the potential to positively affect all other work being done to support children in poverty.

**2. A collaborative initiative(s) in a geographic area:** This initiative would centre on one or more chosen geographic communities, and would see the Trust fund a project focused on achieving 'collective impact'. Collaborative initiatives are notoriously difficult, but involving a diverse group of people (including those 'living the problem') in working on issues of common interest is one approach to creating sustained change.

**3. Picking winners:** This option concentrates on the selection of specific projects, programmes or people in which to invest on the basis of their demonstrated contribution to child poverty reduction. While some might initially see this option as 'more of the same' for the Trust, there are a number of important differences. Primarily these relate to the possible scope of funding (up to 20 years) and the level of funding. This would give the selected initiative(s) a much greater opportunity to think and act long-term than initiatives funded through JRMT's usual grant-making.

Collaboration outside the boundaries of the project, increasing reach through scale and spread and use of effective measurement, research and evaluation would be key components of this option from the outset.

***The first two of these options were selected by the Toby Working Group for further investigation.***

*Broadly speaking, the Toby Working Group felt that Option 3, described briefly above, is in essence what the Trust is already focused on within its core business. They believe the Trust is likely to move towards longer timeframes in at least some of its grant-making, and that as a result Toby should focus on what was unique about the opportunity and what the Trust could achieve outside its normal activities.*

*This concludes the text of the edited paper, although selected appendices from the original document, and its glossary, have been retained below.*

# Glossary

**Failing well/Failing forward:** This concept is predicated on the view that skilled failure is vital for innovation. This theory sees discussion about failure as a strength, and the organisation or individual's response to failure as key to future success. Processing failure involves understanding it, understanding what successes are contained in the failure, what learning can be taken from the experience and how learning can inform positive changes in future.

**Levels of intervention:** One can categorise philanthropy as 'upstream' (preventative, immunisation, housing insulation), 'midstream' (green prescriptions from the GP for those who are overweight), or 'downstream' (heart surgery, hip replacements). There are many labels given to these levels of prevention, for example, upstream intervention has been labelled primary or preventative; midstream as secondary or mitigation and downstream as tertiary or coping.

**Moving upstream:** Moving upstream has been described as moving away from providing goods or services to those people in immediate need, towards the prevention of future need.

**Theory of change:** A theory of change makes explicit the underlying beliefs and assumptions that guide a change or service provision project and which are believed to be vital to creating change.

**Sunset:** the closing date for the fund

**Spend-down or spend-out:** increasing the proportion paid out for grants by spending down capital, with the understanding will shorten the life of the fund, decreasing the term during which grants can be made.

**Disruptive change and innovation:** Innovations can be divided into two categories, those which are sustaining and those which are disruptive. An example of a disruptive innovation would be a new drug to prevent a significant disease. These innovations may give rise to social change<sup>83</sup>.

Disruptive innovations can aim to create social change by:

- Creating systemic social change through scaling up
- Meeting a need which is over-served or not served at all
- Offer products and services which are simpler and less costly
- Generate resources in ways which are initially ruled-out by incumbents
- Are often ignored or disparaged by existing players<sup>84</sup>

# Appendix Two: Process for data collection and analysis

## Sources of data

### 1) Board meeting and Toby Working Group meetings

Information was collected from Toby Working Group members and from Board members at meetings as well as selected one-to-one conversations.

### 2) Semi-structured interviews

A list of potential informants was drafted using initial suggestions from JRMT staff and the Project Manager. The Board and Toby Working Group were asked for suggestions (see previous Toby papers for more information) and a large number of additional suggestions were received from informants themselves. The eventual list of informants was never meant to be representative of any larger group; we just intended to speak with a diverse group of good thinkers who would be able to contribute to our thinking.

The initial list was narrowed on a number of occasions using a set of criteria which had been developed, and based on conversations with a number of trusted advisors. Many more interviews were conducted than we expected, and unlike projects with a more circumscribed brief, significant valuable information continued to be collected right through to the end of the last interview. It was tempting to extend this process even further.

Five interview subjects were interviewed more than once to get further information, and many others were approached following the interview to clarify their statements or seek further information.

Some pre-research was done prior to interviews (not usually allowed in grounded analysis) to ensure interviews could focus on the subjects areas of knowledge and experience. Informant interviews were numbered and key themes coded by interview. These led to the development of a number of ideas (groups of codes) which were then sorted.

### Informal feedback

Informal feedback on the project as also passed on to the Project Manager from a number of people.

### 3) Literature

Sources of written information included papers from academic journals, reports by institutions, philanthropic organisations and community groups and press clippings. We were directed to some of these sources by key informants and they formed part of a limited review of literature, which focused on:

- 1) JRMT's approach, initiatives and intentions
- 2) Trends in the future of work, education, health, demographics
- 3) Social change
  - a. Drivers, creation of
  - b. Complexity
- 4) Spend-down approaches to philanthropy
- 5) Philanthropic approaches
  - a. Prevention and moving upstream
  - b. Collaborative, community based initiatives
  - c. Networking for scale
- 6) Managing risk and failing forward

Further sources were later identified (e.g. child poverty) as the process developed and once a particular issue was identified as a key area of interest for informants:

- 7) Potential areas of focus
  - a. New ideas
  - b. Evidence base
  - c. Syntheses and reviews

## **Analysis**

The process for analysis and development of the options presented within this paper were essentially grounded in the data collected from the sources listed above, with information grouped into those which inform Toby regarding its approach (e.g. what works, gaps, what success might look like, what we know, what's not working, success factors, timing, spend-down) and information about specific areas which may become a focus for the project (e.g. child poverty).

### **Holding the space of uncertainty**

The author of this report made a conscious attempt to suspend the development of conclusions until the end of the interview and literature review process. In this way, the materials and views collected were more likely to lead the development of conclusions. In practice, this means the author of this report didn't start with a hypothesis, rather a number were developed after the information was digested and these were tested against the criteria which had been developed.

Once hypotheses were developed these were firstly shared and discussed with JRMT staff members Iain Hines and Sam Caldwell, before this paper was written with the purpose of informing the Toby Working Group with regard to their decision at the end of phase two of the project.

## Appendix Six: More detail on spend-down

The spending-down of foundational funds has a relatively long history, particularly in the United States<sup>iii</sup>. It is worth noting that the McKenzie Education Found and the Roy McKenzie Foundation were both spend-down funds. This approach to philanthropy has gained more attention in recent years<sup>iv</sup>. In 2009, a study of 1,074 family foundations based in the United States found that 12% were categorised as spend-down, 25% undecided and 63% perpetuity<sup>v</sup>. Spend-down is now a more common approach in the US for newer foundations.

The following table examines spend-down and perpetual approaches:

	Spend-down	Perpetuity
<b>Description</b>	Spends down both endowment and income over a set period of time	Spends only a percentage of the fund (often 5% in the US) each year
<b>Rationale</b>	<p>From an economic perspective, a dollar invested in the community today is worth more than a dollar invested (in the same project) tomorrow</p> <p>Increases overall funding, distributed over a shorter period, and therefore impact</p> <p>Reduces intergenerational transfer of wealth (“the generation which has contributed to the making of a millionaire should be the one to profit by his generosity”<sup>vi</sup>)</p> <p>Approach may strengthen focus on impact</p> <p>May be easier to honor donor intent</p> <p>Addressing some issues may be time-dependent and therefore suited to a spend-down approach e.g. global warming, medical research for a new disease, helping after a natural disaster</p> <p>Some issues require more significant investment to make any progress or achieve any social gains – spend-down can increase the funds available to meet these immediate needs</p>	<p>Placing a high value on protecting the long-term capital of the endowment will ensure funds can be distributed into the community for the long-term</p> <p>Can provide funding for a longer period of time for individual projects or causes if that is desired</p> <p>Can change the aims of funding provided to suit the needs of the community as they change</p>
<b>Potential drawbacks</b>	Funds can outlive their purposes where the term for spend-down is longer – i.e. the issues which one sets about addressing in year 1 may change by the time year 20 comes around	<p>Management costs can be significant – they are often accumulated annually, at between 1-20% of annual distributions</p> <p>Hoarding funds may impede innovation</p>

<sup>iii</sup> Such as the Rosenwald Fund, a key spend down fund in the US, established in 1917 and closing in 1948, distributing US\$70M.

<sup>iv</sup> Famous examples of spend down trusts and foundations include: Atlantic Philanthropies (US\$3.8B, decided to spend down in 2002 by 2020), Andrea and Charles Bronfman Philanthropies, The Beldon Fund (10 years), Bill and Melinda Gates Foundation (spend down by 50 years post deaths of founders, established a Giving Pledge movement)

<sup>v</sup> This study was conducted by The Foundation Centre

<sup>vi</sup> A quote from Julius Rosenwald, philanthropist.

	Spend-down	Perpetuity
	<p>A conservative investment approach may be required to ensure funds are available for use in the short term; this may reduce returns</p> <p>It may still be difficult to honor donor intent where the term for spend-down is longer</p>	<p>Perpetual funds can outlive their purpose e.g. Funds setup in perpetuity in the 1950's to help people with polio. Can be expensive and difficult to alter the purpose of the fund</p> <p>Reduces funds available for immediate needs</p> <p>Unable to be as flexible, fluid, opportunistic where needs increase above that which is allowed for distribution</p> <p>Dollars spent now provide better social return on investment than those spent in the future</p> <p>Endowments are structured to protect capital, which often means they do not serve the charitable purpose for periods of time e.g. when income less than inflation This has been the case with Jayar, from which no distributions have been made since 2007</p>

The approach which may be taken to manage a spend-down fund differs from that used with a perpetual fund in a number of key ways:

- Investments are structured to provide even returns (as the shorter life of the fund means it can't weather volatility in the same way a perpetual fund can);
- Depending on the time horizon for the fund (sunset), the investment strategy is likely to incorporate a lower appetite for risk;
- Structuring of the investment may need to allow for significant liquidity to provide flexibility for significant annual distributions, in contrast with an endowment model; and
- Ongoing monitoring of investments may be required, possibly through the establishment of an Investment Committee.

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