



Bill Eggers and Steve Dahl of Deloitte Research

Are groups outside government better able to solve our toughest societal problems?

A Civic Caucus Focus on Competitiveness Interview

June 26, 2014

Present

Dave Broden (vice chair), Steve Dahl, Pat Davies, William Eggers, Paul Gilje (coordinator), Lars Johnson, Randy Johnson, Ted Kolderie, Dan Loritz (chair), Paul Ostrow, Dana Schroeder. By phone: Amir Gharbi.

Summary

According to Deloitte Research's William (Bill) Eggers, some of the more challenging problems around the world are being solved in a different way than in the past. More and more, big societal problem solving, he says, is taking place outside of government by businesses, foundations and nonprofits, and social entrepreneurs. He points out that there is a large movement of social entrepreneurs who are new problem-solving innovators and investors, trying to create businesses on the backs of either market failure or government failure.

Eggers explores this major shift in his book *The Solution Revolution: How Business, Government, and Social Enterprises are Teaming up to Solve Society's Biggest Problems*. He cites examples of businesses trying to solve societal problems, while also expanding or increasing their profits, such as Unilever's efforts to help fight diarrhea in India, while also expanding its business into small villages there.

He contends that with significant problem solving being done by nontraditional entities, government is no longer always in the center of these efforts. However, he believes, there is a role for government in creating the environment for these problem solvers to flourish by being a convener and facilitator. He states that a number of larger cities and every federal agency are using this approach, but change has been slower at the state level.

Eggers and Deloitte's Steve Dahl believe that, given Minnesota's long history of very strong civic, nonprofit and business engagement, the state is poised to be a world leader in advancing this new model of innovation and nontraditional problem solving.

Biographies

Steve Dahl is national financial management and business transformation leader and the Midwest region leader for Deloitte Consulting LLP's Public Sector practice. He has been with Deloitte for 25 years and is the company's lead client service partner for the state of Minnesota.

He has extensive experience in process, organizational and system assessments, as well as business and technical strategy with qualitative and quantitative supporting business models. He is a certified public accountant.

Dahl graduated *summa cum laude* from the University of Texas at San Antonio and was a scholastic All American.

William (Bill) Eggers is a director at Deloitte Research and is responsible for research and thought leadership for Deloitte's Public Sector industry practice. He is the author of eight books, including his newest, co-authored with Paul Macmillan, *The Solution Revolution: How Business, Government, and Social Enterprises are Teaming up to Solve Society's Biggest Problems* (Harvard Business Press, Sept. 2013). He coined the term "Government 2.0" in a book of the same name.

Eggers' other books include the *Washington Post* bestseller *If We Can Put a Man on the Moon: Getting Big Things Done in Government* (Harvard Business Press, 2009), *Governing by Network* (Brookings Institution Press, 2004) and *The Public Innovator's Playbook* (Deloitte Research, 2009). His books have won numerous awards, including best books on policy, leadership and public services from *The Guardian*, the 2014 Axiom book award for best book on business theory, the Louis Brownlow Award for best book on public management, the Sir Antony Fisher Memorial Award for best book promoting an understanding of the free economy and the Roe Award for leadership and innovation in public policy research.

A former manager of the Texas Performance Review and appointee to the U.S. Office of Management and Budget's Performance Assessment Rating Tool (PART) Advisory Board, Eggers has advised governments around the world. He graduated *magna cum laude* from the University of California, San Diego.

Discussion

Some of the more difficult problems around the world are being solved in a way that differs from past approaches. Eggers noted that in his book *Governing by Network*, written with former Indianapolis Mayor Steve Goldsmith, they tried to move away from looking only at the one-to-one, bilateral relationships and more at public-private networks, as well. "We said it's now more about government leveraging networks of nonprofit, private-sector providers and entities to create more public value through contracting and other means," he said.

In his latest book, Eggers said he and his co-author, Paul Macmillan, further evolved this concept. Society is witnessing a step-change in how it deals with its own problems, a shift from a government-dominated model to one in which government is just one player among many.

Where societal problems arise, markets are forming around them and incentives are driving a diverse breed of problem-solvers, including businesses, citizens, social enterprises, and governments, too. Instead of trying to patch a market failure, the innovators in the solution economy create a market for the solution.

More and more big societal problem solving is taking place outside of government. "We began seeing big companies, like Unilever," Eggers said, "taking on problems such as how to reduce childhood deaths from diarrhea and being a major player on trying to resolve the issue in India. Coca-Cola, Procter and Gamble, Pepsi and others were making precompetitive, collective-impact efforts to address the issue of clean water in Africa. They were working with government, but government was not in the center of it."

There is also a huge movement of social entrepreneurs trying to create businesses on the backs of what they see as either market failure or government failure. "These new problem-solving innovators and investors power the solution economy," Eggers said. "They're closing the widening gap between what governments provide and what citizens need." Often times, they receive no support from the public sector.

Other entities beyond government have entered the market of problem solving. Eggers observed, "This is a massive sea change, a paradigm shift." He said the earlier work on alternative delivery of public services focused on how government could get more value and saw government at the center of things. "Increasingly, we saw that was no longer the case," he said. "All these other problem-solving entities beyond government had entered the market of problem solving." He pointed out the major growth in philanthropy, foundations and mega-foundations.

The buyers in these markets purchase impacts or outcomes: healthier communities, kids who can read, reduced recidivism. Sellers provide the outcomes for the buyer: they design and sell cheap, solar-powered lights; write the code that tracks salmonella outbreaks using government data; and build the cross-sector networks to fight scourges like human trafficking.

The book *The Solution Revolution* is a new way of looking at how we solve big problems in society. Eggers said the book reveals a burgeoning economy where players from across the spectrum of business, government, philanthropy and social enterprise converge to solve big problems and create public value.

"It looks at who the wavemakers are, the impact of technology, and the new exchanges connecting people who are buyers and sellers of societal solutions," he said. (Wavemakers are people driven by social or profit motives to act individually and collectively to develop new solutions and/or to motivate others.) He said the big problems they examine include issues as diverse as human trafficking, traffic congestion and criminal recidivism.

Many MBA students now say they want to go into a field that allows them to have a social impact. "That was unheard of before," Eggers said. He said there are lots of jobs now for social entrepreneurs, who can get start-up capital to solve big problems using market mechanisms. For example, Parag Gupta of Waste Ventures in India is trying to make the lives of trash-pickers in India better, while also solving the issue of inadequate waste collection.

Steve Dahl added that in Deloitte's on-campus recruiting across all industries, one key question the company representatives get from recruits is what kind of social impact the company is having. "That's really of critical importance to a very large percentage of people entering the workforce now," he said.

One big issue around the world is safe water, with 1.1 billion people lacking access to safe water. Eggers said a lot companies, including Unilever, Procter and Gamble, Coca-Cola and Pepsi, are now involved in this issue. "If they want to expand into emerging markets, they need clean water," he said. "These competitors have gotten together collectively hundreds of millions of dollars in resources to try to fix this problem. They've teamed up with inventors and others, including the United Nations."

Unilever's CEO has said companies should be able to work toward making the world a better place while also making a profit. Eggers said Unilever is very involved in many social causes, including fighting diarrhea, the second-largest killer of children in the world. Diarrhea spreads easily in places where people fail to wash their hands regularly. Unilever, Eggers said, wanted to both help fight diarrhea in India, but also to expand its business reach into small villages there.

One problem they encountered was that there was no distribution channel for Unilever's soap, shampoo and other products. So the company started training women to be saleswomen in the villages and to connect with schools and families. Project Shakti started with 17 women and now involves more than 50,000 women in India alone.

Unilever has made a profit from this, Eggers said, while also saving hundreds of thousands of lives. "This type of thing has become more and more of a movement among businesses," he said. There are an estimated two million social entrepreneurs worldwide, along with impact investors and venture philanthropists.

Minneapolis has a chance to be a leader in social enterprises, because it has the second largest nonprofit and foundation community per capita in the country, outranked only by Washington, D.C. In addition, our private sector here is already involved to a good extent in social problem-solving. Eggers mentioned Target and Medtronic as two companies that already have social-impact programs in various parts of the world.

Government's role is to create the environment for these problem solvers to flourish, by being a convener and a facilitator. Eggers said a lot of nongovernment leadership in problem solving has arisen because of market or government failure. "Much of this is very market-driven," he said, "but not from an ideological perspective; in fact much of the momentum behind this movement could be categorized as more left-of-center."

He said the Cameron government in the U.K. and the Obama administration are the two governments in the world that have been the most proactive in creating an environment and incentives for the growth of the solution economy. "The Obama administration is actively trying to grow the solution economy by working outside of government to bring the best private-sector innovations to bear on bigger societal problems," Eggers said. "It combines the best of the right and of the left."

"It's a pretty rapidly growing new model," Dahl said.

We must look outside the traditional problem solvers; government is not always in the center of many of the problem-solving ecosystems any more. "That's a really big paradigm shift," Eggers said. For example, Walmart is playing one of the leading roles in reducing obesity by teaming up with Michelle Obama to reduce the number of "food deserts," places where people don't have access to fresh produce.

The movement toward paying for results is all about new methods of solving problems outside of the typical processes. Eggers noted that in dealing with most of these societal problems, government is usually the biggest purchaser of goods and services, either providing them in-house or contracting for their provision. "Government could start to move its purchasing power to catalyze these nontraditional approaches and leverage what's going on elsewhere," he said.

Some larger cities have created public/private partnership funds, called mayor's funds, in which some public money is used to leverage private money. "It's the notion that government should not do anything itself that could be done better collaborating with the greater community," Eggers said. "Having that mindset is really, really important."

Governments should look at what regulations are impeding this approach, he said. Policymakers should ask business and social entrepreneurs what government can do to help, not hurt, these efforts. He said that many cities are doing great things in this area and noted that Boston and Philadelphia have created programs called New Urban Mechanics, which bring in innovation from the outside.

Eggers said nearly every federal government agency is involved in this new approach, but that change has been slower at the state level.

Minnesota has the advantage of being a leader in digital social engagements, starting back in the 1990s. "Minnesota has a long history of very strong civic, nonprofit and business engagement, so the state starts off way ahead," Eggers said. "Some areas that could be accelerated include social enterprise, social entrepreneurship and innovation, especially in areas like health care." There are companies here doing these things internationally; they could be encouraged to bring that sense of corporate social responsibility back to the local region, he said. "What could the mayors or the governor do to accelerate and facilitate that?" he asked.

This approach involves no ideology; it's all about problem solving. "It's the exact opposite of today's political environment," Eggers said. "Young people who want to solve societal problems tend now to look outside the political system for opportunities to have a broader impact."

He noted that there is a bipartisan coalition working on things like reducing recidivism and fostering public-sector innovation. "But the public's overall disillusionment with government remains at a record high," he said.

One of the biggest problems in government execution is design-free design, that is, Congress or legislatures passing laws that create programs that have never been tried. An interviewer commented that in the book *Engineers of Victory: The Problem Solvers Who Turned The Tide in the Second World War*, author Paul Kennedy looks at how people with new ideas helped the U.S. succeed in World War II. Kennedy came to the conclusion that the leadership at the top created a climate in which people were encouraged to try things. The interviewer said that in education today there is no concept of letting teachers, the people closest to the students, try things. Education leadership is "obsessed by the need for sameness." He went on to ask how to get the notion of trying new approaches more established.

"There is no process in government to constantly experiment, iterate and prototype new approaches on real people," Eggers responded. He cited the Affordable Care Act and said that part of its concept was to try things after the law was passed to see if they worked, learn from the successes and failures and then adopt the successes more widely. "That's fine if there's a way to continually tweak it and change it, but our political process doesn't allow that," he said. "There is a real fear of failure and being in the headlines."

Use prototyping, simulation and lean startup models to try new things. Eggers said there are some enlightened government officials who will say, "This is what we're going to do and we're going to accept some failure." Failures are how you learn, he said. "Seeding and facilitating others to try a lot of things through partnerships reduces the political risk," he said. "If it works, politicians can say, 'Great. We need to adopt it.' If it doesn't work, they can say, 'We didn't spend taxpayer dollars. All we were doing is testing a new approach.'"

For example, Eggers said, former New York Mayor Mike Bloomberg got foundation and other private money to pay for lots of experiments in education and would admit it when things didn't work. He reduced the political risk through public/private partnerships.

Considerable attention is going into developing a set of universally accepted social outcomes measurements that can be used by businesses, social entrepreneurs and nonprofits. An interviewer commented that lots of businesses devise metrics for other "bottom lines" beyond profit and asked Eggers what confidence he has that striving for those metrics actually produces real social benefits. "That's an evolving area," Eggers said. "If you really want to understand the social impact, you have to be able to measure it across these organizations and be able to grade them."

The transaction costs of getting involved in social issues have gone down fairly significantly. Eggers said there are organizations and websites that will match social entrepreneurs' skills, or those of potential volunteers, to problem-solving needs. "I'm not worried about what's going to happen in the social enterprise sector," he said. "I think businesses are going to get better and better in all these areas. The bigger issue is government connecting to and leveraging all these developments and really understanding it, so people have as much faith in the public institutions as they do in the emerging institutions."

We've massively overregulated the public sector itself. "We've added so much time to get anything done that we've created massive dysfunction," Eggers said. "Whenever we have a scandal, we add more and more regulations to those working in government. We have to look at what processes, rules and regulations are preventing us from getting the results we want."

The structure of government is not the problem; it's the process of going from idea to results that's broken. "We're trying to lay out a different way of doing that," Eggers said. Designers of successful initiatives, he said, have certain characteristics in common:

- They took the time to listen to opposing viewpoints and often incorporated them into the design.
- They designed the initiatives to work in the real world, not just to pass the legislature.
- They encouraged thoughtful debate and didn't try to ram things through.
- They tested programs and designs in smaller pilots before rolling out nationally. This often happened incrementally over time.
- They took failure seriously and took precautions against everything that could go wrong.

Conclusion

Eggers said that looking at all the social enterprise infrastructure Minnesota already has, there's no reason why the state shouldn't be a world leader in this area. "I look forward to continuing to see more happening along these lines in this region," he said.

Dahl added that this new model of social enterprise is taking off. "There is a lot of innovation, a lot of problem solving around the globe," he said. "Minnesota is in a terrific place to move that model forward. A lot of creating the environment and changing the culture can come from civic organizations and foundations. They can broker a change in culture within government and between government and business."