

# Interview with Odin Mühlenbein, Ashoka Germany & Ashoka Globalizer

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*For the first edition of the Social Innovations Finance Series Social Innovations Partners President Mike Clark interviewed Odin Mühlenbein. Odin authored two articles for the launch of the new series and is a partner at Ashoka Germany. He also works for Ashoka Globalizer, a program that helps advanced social entrepreneurs develop strategies for social system change.*



## Q & A

Q: Could you give an introduction of your current role and background?

A: Yes, I would be happy to. My name is Odin Mühlenbein and I'm 34. I live in Hamburg. My academic background is

in philosophy. After that I worked a little bit as a management consultant at McKinsey. I started two social ventures myself and have been with Ashoka for four years now. I'm a partner of Ashoka Germany, and I'm a member of the Ashoka Globalizer Team. I'm working in three areas: first, I develop strategies for system change with Ashoka Fellows directly. Second, I share some of the knowledge that comes out of that process in articles and workshops. And third, I try to be an ambassador for system change, for example by facilitating trainings, talking about it on panels or doing interviews.

Q: You mentioned systems change and that's a pretty hot topic right now. You said you're an ambassador for it. Could you give a brief introduction to the topic and when we hear systems change, what are we talking about?

A: I think the basic motivation is captured nicely by an analogy by Professor David Orr. Imagine an entrance exam for the insane asylum, where people are led into a room with faucets on the walls. The faucets are open and water's coming out of them. On the other wall there are buckets and mops. The test is whether or not the people use the buckets and the mops to get rid of the water or if they are going to just stop the flow of water by turning the faucets. I think this is what we do when we focus on system change: we want to move away from buckets and mops solutions towards finding the faucets and turning them off. This approach requires some practices and mindsets that are different from traditional direct service

approaches. These involve systems thinking, servant leadership versus "hero-preneurship," and facilitating change in networks.

Q: Great. Thanks. A topic that I think we wanted to home in on today is how we go about funding and financing systems change work. You know, if a foundation or an investor, they really get this idea of systems change, they get the analogy that you just described with the buckets and the faucet and they see that one applies that to a problem. What's the best way for them to go about funding or financing or seeding this work?

A: There are a couple of barriers that still prevent us from reaching the full systems-changing potential of the social innovators out there. Funding them is definitely one of the most important barriers. It's by no means the only one, but it's great that you are focusing in on this. There are several reasons why it's so difficult for many donors to adopt this approach: it's harder to explain, the impact is more indirect and less "secure" than, say, rolling out an existing program in another city. There are also fewer opportunities to take pictures of services being delivered to people in need. This is because systemic initiatives often involve tactics like open sourcing your innovation so that others can run with it, training your own competitors, building coalitions, influencing other organizations or policy processes, etc. Impact evaluations can also be important to figure out which innovations should be spread, and which ones shouldn't.

We need more unrestricted funding, more long-term funding, and a stronger focus on learning. Another thing that donors can do is try to achieve synergies between their grantees. If donors have defined an intended system change for themselves, they can find the right organizations and initiatives who can work on the milestones toward that goal. Some foundations have been doing that for a while already, including the McConnell Foundation, Hewlett Foundation, Rockefeller Foundation, and Co-Impact, which just announced its first five grantees for big systemic grants. Some of these donors have published interesting learnings around funding system change.

Q: These are really great examples. A lot of the foundations that you described, and I heard you talk about this in earlier podcasts, these are very large U.S.-based foundations for the most part, right? I mean they're leading the way. Do you see a need for other foundations in other countries to adopt that same mindset? And, what about the smaller players, smaller donors, smaller foundations, donor advised funds that want to contribute to a systems change goal? Whether that be like our Journal's focus on social mobility, improved health outcomes, human services. If a donor, let's say in a regional foundation in Philadelphia wants to contribute to system change, how does this spread beyond just the large U.S.- based foundations?

A: Most donors could adopt a systems-change mindset

when it comes to funding. They don't necessarily have to adopt the approach of "big-bets" like Co-Impact, which wants to invest 500 million dollars. Not just because it would require more money than many donors have available, but also because it's not the right approach for every system change goal. Systemic changes don't have to be big, like revolutionizing the education systems or an overhaul of the medical infrastructure in a country. If you have the means to pursue these kinds of goals, that's great, but in order for something to be systemic, it doesn't have to be big. We actually see quite a lot of interesting and effective "systems tweaking," with great impact based on relatively small changes. Smaller foundations can make a lot of those changes happen. In many cases, you only need \$50,000 or \$100,000. Initiatives that only require smaller amounts are also a great opportunity to learn about the system that you want to improve, as well as the approach of funding system change in general.

Q: So, let's say you did want to give \$50,000 to a systems approach. What would the first steps be and how would you identify something that with \$50,000 or \$100,000 could potentially lead to a systems change improvement? Let's say, social outcomes for people in a poor neighborhood in the United States? You don't have to use that example, but...

A: Sure. Take Ashoka Fellow John Mugo, co-Founder and CEO of Micro Health Initiative (MHI). MHI provides micro-health insurance schemes to people in Tanzania. MHI is a

social business, which is why it can attract money from social investors. The thing is, in Tanzania, there are still regulatory frameworks in place that hold the whole micro-insurance industry back. John would like to establish a round table with the insurance regulator, the Ministry of Health, other startups, and representatives from other countries who have already modernized their regulatory frameworks so that Tanzania can get rid of these barriers. This wouldn't give John an additional 10,000 customers, nor would it improve his competitive position in the marketplace. It would, however, accelerate the development of the whole industry. Chances are, that in ten years, improved regulatory frameworks will be responsible for many more people having access to basic health insurance than an additional 10,000 customers that John could gain with the help of social impact investors. The problem is the round table does not generate revenue and is therefore not a good fit for investors who want to get their money back. A donor who focuses on systemic impact could support the round table with maybe \$50,000. That should be enough to get the right people in a room, learn from each other, provide feedback on policy ideas, etc. In other words: \$50,000 in donations for a systemic initiative might achieve more impact than half a million dollars of social investment money. Once you know how to spot these opportunities, you find them everywhere.

Q: My next question is how do you find them? How do you

find these great opportunities? Which, you know, that was a perfect example that you just described. John is the person in the example. How do I find that opportunity, if I'm a foundation, to give John that \$50,000 or you know, to the hundreds of other projects like John's that can really accelerate systems change?

A: There are different approaches. One is to just talk to system changing social entrepreneurs.

You could also run a competition for systemic-initiatives to collect ideas from many people at the same time.

Researchers can also be a good place to start. My recommendation in these early stages is to work toward a targeted, explicitly stated system change goal.

For example, let's say that you want to improve the U.S. healthcare system. That's great, but it's too broad. What are the one or two systemic levers that you can actually promote in a meaningful way and which are likely to improve the health and the outcome of the system overall? Is it improved medical protocols for treating trauma patients, including prevention measures around psychological well-being in schools, or introducing better breast cancer diagnoses? These are just some of the changes that Ashoka Fellows are working on. There are of course many more. The point is: once you know which systemic levers you want to pull, you can organize your donations and investments around it.

Q: That's right. Tell me if I am a foundation here, you're suggesting doing this on almost like a case by case basis. Are there any resources that you know of, if a charitable foundation wants to start researching these types of opportunities? A database or anything that has a kind of a central system of these types of opportunities?

A: No, as far as I know, such a database doesn't exist yet. It would be an interesting ecosystem initiative. Please tell your readers to reach out to me if they want to start it!

Q: We are building something similar now via Social Innovations Partners called IF Market.

A: I'm looking forward to learning more about it! I think the main benefit of such an initiative would be that people realize how many opportunities for systemic change there are, and how cheaply many of them could be achieved.

Q: I want to shift maybe to the other side, the social venture side. So, if you're a social entrepreneur or a systems entrepreneur or somebody that is looking to navigate this funding/financing world and really don't have access to meet these major foundations that are doing this amazing work, what advice would you have for those starting out, looking to seed their idea that could potentially be great, that could lead to systems change or improve poverty outcomes or improve health outcomes or what have you. What would your advice be for the people on the social venture side?

A: I can only provide some high-level ideas here, since a lot depends on the context.

My first tip would be to be as concrete and honest about your system change goal, the contribution that your organization can make toward that goal, as well as the uncertainties that you are already aware of.

Second, try to describe your intended system change in a way that makes sense to donors and investors. For example, Ashoka Germany just completed a study with McKinsey on the economic potential of system changes. We found out that even relatively small and targeted systemic changes generate economic benefits in the hundreds of millions of dollars per year. For example, there's a social venture called Discovering Hands that trains blind women to diagnose breast cancer at a very early stage. If this diagnosis was used for all intended patients, it would save the German state between 80 and 160 million euros per year. And that already includes all the costs of the trainings, the diagnoses, etc. For some funders, this is convincing evidence that this particular intended system change is worth pursuing.

Another tip is to have a convincing story for how you see the system change unfolding. In the case of the new breast cancer diagnosis becoming a new practice in the German healthcare system, the chapters of this story might include: one (and then several) healthcare insurers changing their policies to cover the costs of the diagnosis;

the training for blind women is officially recognized; 10 percent (and then 80 percent) of doctors working on breast cancer know about the opportunities of this practice; etc. Tell your funder which milestones your venture can contribute to and which ones will have to be achieved by other organizations. The point is not that you will achieve the system change yourself, but that the journey makes sense and that you can play a role in it.

Q: So, in the, in the United States, in the past few years we've been working with social impact bonds and pay for success instruments. Where they're trying to capture similar cost savings that you described. If an intervention is successful, let's say that's keeping a population from going back to jail or from entering the emergency room that those kind of cost savings can be captured and monetized. The issue is that it's really hard to actually find them in a budget line item. They're more of a projection. And so how do you monetize interventions and especially ones that are preventative in nature that are really hard to capture monetarily on the back end?

A: To some extent, this is already happening. For example, more than 20 insurance companies are paying for the breast cancer diagnosis.

The problem with traditional social impact bonds is that the compensation is calculated with regard to individual beneficiaries. We are not targeting individual beneficiaries, though; we are targeting systems. And on a systems level,

the model of measuring and then paying for success becomes very challenging. For starters, it's usually impossible to have control groups, so who knows how the system would have developed without the interventions? A good argument for an investment in system change could go like this: here's a specific, targeted system change that we have good reasons to believe will make the health care system more resilient. It will also save society about 200 million a year. We don't quite know which interventions will get us there, but based on similar efforts in other contexts, we believe that if we spend 10 million dollars on several projects, there is a 10 percent chance that we can achieve the goal at least two years earlier than it would otherwise have happened anyway. Based on these numbers, you should go ahead and invest the money. Even if the change happens, you will not be able to say that it was because of your money. You will, however, be able to say that it was worth taking the risk.

Q: That systems change risk capital that you're talking about, that would be either philanthropy or grantmaking?

A: It could be, but there are also other options. The system change that you want to achieve will be beneficial for somebody. And those people can sometimes chip in. The 20/20 health insurance companies who are funding the breast cancer diagnoses do it because it saves them money. This is an easy case, because it makes sense for an individual insurance company to pay for the diagnoses of their clients. In other cases, we run into the "tragedy of

the commons" and might need money from the state or a philanthropist to make progress. Take the example of Irrsinnig Menschlich, a social venture in Germany that tries to include preventive work around psychological well-being in schools. McKinsey calculated that every additional percentage point of students with psychological issues that takes advantage of early stage support programs is worth 80 million euros per year. So, ten percentage points are worth 800 million euros. That number does not even include the suffering that these students go through. It only includes reduced treatment costs and reduced nonproductive work once the students get older. Still, health care insurance providers don't pay for this work. The reason is simply that in every classroom, only one student might be a client of any particular company, which is not enough to justify the costs for the whole class. This situation requires a coordinated effort between insurance companies, which might need to be supported by policy changes. Coordinating insurance companies and political advocacy are tactics that are usually hard to fundraise for. A systemic investor could make a big difference.

Q: I had another question a bit aside from what we were talking about. I think I heard you talk about a venture capital mindset for the social sector in an earlier podcast, can you elaborate a little bit, is that a good thing or a bad thing when the social sector starts thinking like venture capital?

A: I'm not a venture capitalist, so please take this with a grain of salt. I think what's positive is the ambition to actually change things on a systems level. The ambition of Uber is to change the taxi industry. Space X is about creating a completely new industry. These types of systemic goals can also make sense in the social sector. Systemic goal, clear focus, an appetite for risk.

Another thing that often comes up is the idea of disruption. In the social sector, this can be dangerous or at least misleading in the following sense: first of all, we need to make sure that we don't do more harm than good. And so just mindlessly powering through whatever system change we decided to pursue a couple of years ago might not be the best approach. When we deal with complex social systems, some repercussions cannot be predicted and need to be sensed as you go along. This requires a certain degree of humility. Successful systems change in the social sector often requires taking a small step, listening and gathering feedback, and then taking the next step.

A foundation in Germany predicted that at some point it would be valuable to have more teachers who are able to teach German as a foreign language. They developed a strategy to include basic teaching skills for German as a foreign language into the teacher curriculum at universities, starting with the biggest state in Germany. The milestones toward this goal included that there is a study that shows the value of this particular teaching skill;

that there are free, high-quality teaching materials available to universities; and that there are at least three lecturers in each university who can teach these materials. These milestones were relatively cheap to achieve, so the foundation funded them all, one by one. And with good timing: when Germany received more immigrants than usual in 2016 and 2017, the education system was probably a little bit better prepared than it would otherwise have been.

Q: Thank you for your invaluable insight, Odin. You provided our readers with an inside view of systems change finance and we hope to hear from you again as this series progresses.