Scaling Social Impact:
What We Know and What We Need to Know

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The Center for Strategic Philanthropy and Civil Society,
   Terry Sanford Institute of Public Policy, Duke University
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Hosts:
Paul Bloom, Adjunct Professor of Social Entrepreneurship and Marketing;
   Interim Faculty Director, Center for the Advancement of Social Entrepreneurship,
   Fuqua School of Business, Duke University
Jeff Bradach, Managing Partner and Cofounder, The Bridgespan Group
Greg Dees, Professor of the Practice of Social Entrepreneurship and
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Session Summaries
Prepared by Barry Varela, Center for Strategic Philanthropy and Civil Society

Key Themes from the Conference
Conference participants returned repeatedly to the following themes:
• How can academics and practitioners share their knowledge and work together more effectively?
• When is it appropriate to scale? How can funders determine which organizations or ideas should be scaled up, and which are best left small?
• Movements are more important than individual organizations, yet little is known about how to kick-start movements or how to add to their momentum once they get going. An easier task is to grow an organization, but that’s not the most likely way to achieve large-scale impact. In sum: We know the most about those things that are least important, and the least about those things that are most important.
• How does innovation spread? How can the spread of innovation be encouraged?
• What is the difference between output and impact, and how can each best be measured? How does each relate to scaling?
• It’s not enough to know that an intervention works in a particular context. In order to scale impact, one needs to understand why the intervention works. Experimental replication is the key to gaining this understanding.
• Evidence of effectiveness is less important than networking and marketing in determining growth. How can funders be motivated to place a higher value on quality and best practice?
• Growth inevitably makes financing more difficult. How can capital markets be harnessed to facilitate scaling?
• How can better information about nonprofits be generated and disseminated? How can funders be motivated to use the information that’s available?
• Field building is important yet poorly understood.
• How can governments and intermediaries best facilitate scaling?

OPENING SESSION
Facilitator: Greg Dees, Professor of the Practice of Social Entrepreneurship and Nonprofit Management, Fuqua School of Business, Duke University
Keynote speech: Jeff Bradach, Managing Partner and Cofounder, The Bridgespan Group
Mario Morino, Chairman, Venture Philanthropy Partners, and Chairman, The Morino Institute
Clara Miller, President and CEO, Nonprofit Finance Fund

Mr. Bradach addressed the organizing theme of the conference: what we know about scaling versus what we don’t know. We do know that nonprofits can get (somewhat) big. And we know what it takes: 1) strategy, 2) capital, and 3) talent. We also know something about the importance of building business-to-business supports and intellectual capital.

What we don’t know is how to scale impact rather than organizations. We can grow organizations, but we don’t know much about how other avenues of scaling work. We don’t know when and where bigger is really better. And finally, we don’t know what it takes to get really big.

Mr. Morino spoke on the some of the uncertainties surrounding scaling. The single most critical issue facing the sector is the question of how we should decide who scales. It’s important, he observed, for nonprofits to be imbedded in the community. Scaling should be relative to the mission: Not all nonprofits address very large problems, so not every nonprofit should grow.

Regarding the state of the economy, Mr. Morino stated that the earthquake has already struck and the tsunami is yet to come. Funders should ask themselves if their investments are in alignment with national priorities and should make an effort to “scale to issue.” The networking effects of technology will play an important role in how scaling proceeds. The next three to five years will be a remarkable time.
Ms. Miller recounted the commercial reasons for the nonprofit sector’s existence. Nonprofits provide 1) services for people who can’t pay for them, 2) services where quality considerations make scaling difficult, and 3) services that promise no predictable commercial returns. To Mr. Bradach’s list of three preconditions for scaling (strategy, capital, and talent) Mr. Miller added a fourth: profitability.

She further observed that there are builders, and there are buyers, and funders may in fact find it difficult to make deals. Growth always makes financing more difficult. Reliable, full-cost revenue is key to sustainable growth, and governments are often not dependable.

Professor Dees wrapped up the evening by observing that we learn by doing what we need to know.

SESSION 1: STRATEGY AND READINESS
Facilitator: Paul Bloom, Adjunct Professor of Social Entrepreneurship and Marketing; Interim Faculty Director, CASE, Fuqua School of Business, Duke University
Mark Kramer, Managing Director and Founder, Foundation Strategy Group
Johanna Mair, Associate Professor of Strategic Management, IESE Business School

Mr. Kramer asked, What do we need to know, and where do we need to do research? Social change, he observed, depends more on movements than it does on individual organizations. He broke up the question of scaling into three levels: the organization, the field, and idea of a movement. Because both practitioners and researchers think so much about the corporate structure, we’re trapped into thinking about organizations more than movements. In the for-profit world, a person who has a good idea and wants to make money from it has to control the implementation of that idea, whether through internal growth, or franchising, or what have you. In the realm of social impact, it doesn’t matter who “owns” an idea. Hospice is a good example of a movement that had no lead organization or individual. Building an organization is probably the hardest way to achieve social impact—the scale of problems overwhelms even the largest organizations.

What do we know, Mr. Kramer asked, about other tools: advocacy and lobbying? He cited three examples: 1) the Pew Charitable Trusts’ successful advocacy on behalf of better fuel efficiency standards, 2) the Hewlett Foundation’s work in California on education reform, spending $31 million over five years that resulted in $9 billion in new funding for schools, and 3) GE’s work first in Ghana and then in Latin America opening health clinics.

Mr. Kramer pointed out that some things work only when rolled out at scale, citing the Siebold Foundation’s comprehensive ad campaign against meth abuse in Montana. He argued for the importance of building fields, citing the Packard Foundation’s work on sustainable fisheries. Packard created the Conservation Seafood Alliance to get 17 activist groups to agree to a common set of principles and funded the Marine Stewardship Council, which certifies fish as sustainably caught. Packard restructured the field by
creating a unified voice and an infrastructure to certify fish. Now Wal-Mart and others have announced they will sell only sustainable fish. He also spoke of the importance of building movements, noting that it’s the area we know least about.

Mr. Kramer concluded by suggesting areas for further research: How does one research approaches to change that start at scale? How does one build infrastructure and alignment within fields? How does one build movements? “In some ways, what we know the most about is what is the least powerful, and what we know the least about are the most powerful tools.”

**Professor Mair** declared she had a simple agenda: bringing back excitement for research.

She pointed out that scholars have accumulated great deal of dispersed knowledge and she urged us to bring it together. Drawing from the literature of development studies, specifically with reference to the development typology of Peter Uvin, she argued that we know a lot about how scaling can happen. She discussed different varieties of scaling: quantitative, organizational, functional, value chain, and political.

Professor Mair then argued that we should look more carefully at strategies that reflect a theory of change. Citing the work of Edwards and Hulme (1992), she pointed out that strategies can be additive, multiplicative, or diffusive. Nevertheless, we have little knowledge is in the area of processes, mechanisms, and dynamics: How do we make scaling happen? She discussed a research project she’s working on that investigates how organizations scale, whether through “cloning,” diffusion, or a hybrid model.

She observed that we focus too much, both in research and in practice, on structural mechanisms: change agents, mass media, and the like. We should not overlook cultural components. With reference to insights from sociology, she noted that practices that accord with cultural understanding of what is effective and appropriate diffuse more quickly. She offered three examples in which cultural norms inhibited the spread of innovation: 1) Microinsurance: It takes time for people to get used to the idea that a price can be put on a life. 2) Market-based approaches in Bangladesh: A large part of the population—women—cannot access markets due to social structure and norms. 3) Sanitation in India: Development agencies check off villages as “sanitized” when a toilet is installed, regardless of whether anyone uses it.

Academics need to go on the ground more, Professor Mair argued. Likewise, support organizations shouldn’t be shy about saying what works and what doesn’t. Finally, Professor Mair urged us not neglect strategies for diffusing knowledge: collaboration, field building, integrating dispersed pockets of knowledge, thinking about how we store knowledge, and using the tools we have in hand. Researchers have certain tools, funders have certain tools, and initiatives have certain tools.

*In the discussion that followed, the following ideas were brought up by members of the audience:*
• There is a need to study social movements as they relate to scaling. How does diffusion of innovation among individuals work? Why do individuals adopt innovation?
• Sometimes it’s necessary to change what the culture accepts. For example, the conservative think tanks of 1970s and 1980s succeeded in moving the culture to the right. Also cited was the example of the Kauffman Foundation’s support of the study of entrepreneurship.
• The importance of ego was brought up. The more you move from organization to field or movement, the less control and less credit individuals have. Ego should be taken seriously. The challenge is in building fields and movements that aren’t owned. For example, in feminist and civil rights movements, a lot of work is done at the community level.
• The importance of value chains in movements was brought up. In addition to institutions, there are charismatic individuals. For example, Jane Addams, of the Settlement House movement in Chicago, was also involved in women’s suffrage and the NAACP. Then there are civil institutions, such as the Supreme Court.
• Alternative routes to social change were discussed, with reference to the example of influencing powerful individuals such as government ministers through advocacy and lobbying.
• Patience and perseverance are important in our culture, which expects immediate results.
• It’s important to find leverage points within existing institutions. For example, TRACE, a University of Wisconsin engineering group that produced accessible design prototypes, works through standards organizations to have its designs adopted.
• It was pointed out that there is a difference between relatively simple problems and complex problems. Since each solution pathway is its own system, it is important for all actors (funders, institutions, the grassroots) to contribute in their own way.

Suggested research: An effort to understand the characteristics of a problem and the corresponding remedy—whether that be movement building, individual awareness, work with institutions, or some other.
• To win grants, nonprofits must differentiate and brand themselves, which works against collaboration and successful “branding” of movements.

Books discussed during the session:
   Agendas, Alternatives, and Public Policy, John Kingdon
   Made to Stick, Chip Heath and Dan Heath
   Disarmed, Kristin Goss

SESSION 2: MEASURING IMPACT AND WORTHINESS
Facilitator: Marc Epstein, Distinguished Research Professor of Management, Jones Graduate School of Management, Rice University
Eric Schwarz, President and CEO, Citizen Schools
Delia Welsh, Managing Director, Innovations for Poverty Action
Mr. Schwarz commenced by posing two questions and offering two answers. The first question was, Does scaling service-delivery organizations matter? Answer: It does. He cited the Newark, NJ, funding of schools, as well as HeadStart, as examples of movement victories that resulted in ambiguous impact. The second question was, What’s the relationship between quality measurements and scale? Answer: It’s confusing.

Mr. Schwarz then spoke about his organization, Citizen Schools. CS’s goal is to build a movement around increased educational opportunity through 1) expanding the learning day, 2) bringing more talent into kids’ lives, and 3) more real-world learning. How does CS measure results? Three ways: 1) At the organizational level, CS uses the “balanced scorecard.” 2) At the program level, each school is scored on a “quality rubric” of nine measures: math scores, English scores, and so on. 3) At the impact level, CS has commissioned an external longitudinal study of its flagship Boston school, tracking kids five years after they leave the school and comparing them to a control group.

Scaling programs is difficult, but there’s also the matter of scaling the ability to pay for it. Mr. Schwarz observed that the two are different problems. Many people think that, when an organization grows, the challenge is in maintaining quality. But done right, growth actually fosters quality: It allows for certain economies of scale, allows for investment in capacity, confers the ability to hire better people, and so on.

Mr. Schwarz pointed out that the fastest growers are not necessarily the organizations that produce the most impact. Evidence of effectiveness is not the number-one determinant of growth: marketing, networking, and systems building are all more important. He suggested research into how certain organizations (4H, Big Brother/Big Sisters, Boys and Girls Clubs, the YMCA) have undergone huge scaling. How did they do it? What has been the impact? He also observed that growth happens by building public policy support (i.e., funding) through coalitions, but this process can also lead to a “lowest common denominator.”

Finally, Mr. Schwarz asked us to think about how we might build a political strategy for promoting quality and best practice.

Ms. Welsh spoke on measurement issues. Based in New Haven and working in developing countries, her organization, Innovations for Poverty Action, tries to learn what works and what doesn’t and get that information to policy makers and implementers. They work with service organizations, funders, and researchers.

She defined impact as the effect on lives of an intervention versus what would have happened had the intervention not occurred. IPA thus tries to determine what happened and why. By way of underlining the need for organizations like IPA, she cited a Center for Global Development 2005 study that said the majority of development programs were designed such that there was no way to measure impact. But the field is improving. There is more collaboration between implementers and researchers.
Ms. Welsh observed that, because we know so little about what works, there’s a high likelihood of waste. She cited two examples of programs that produced little or no impact: in Indonesia, a program to organize communities to monitor road building to reduce corruption, and in Kenya, additional textbooks to schools.

She emphasized that, in order to understand impact, it’s necessary to measure counterfactuals. If one measures only before and after an intervention, one misses what would have happened if the project hadn’t happened. Similarly, it’s necessary to control for selection bias. The best way to measure impact is to do randomized design. When randomization isn’t possible, there are alternatives such as matching, but these methods are more difficult.

The key to understanding why a program works is to replicate it in different contexts. Ms. Welch offered three examples: 1) Risk causes farmers not to make investments, yet the offer of weather insurance didn’t increase microloan pickup. 2) When business training was required with a microloan, those who expressed no interest in the training benefited the most. 3) Offering bed nets for free didn’t decrease intensity of usage and delivered bed nets to more people; this insight has persuaded some NGOs to give away, rather than sell, bed nets. Both funders and service providers can benefit from such insights.

Ms. Welsh concluded by outlining three areas where we need to know more: 1) We need more work done on “plain vanilla” impact. 2) We need to know more about take-up: How do people make change in their lives? 3) We need to know more about spillover effects.

In the discussion that followed, the following ideas were brought up by members of the audience:

- What are the extraneous effects of intervention? The example of the disruptive effect of microfinance in aboriginal Australia was cited.
- Academic research may be of little importance to funders, who make their decisions on the best available evidence even if that evidence isn’t very good. For example, funders of charter schools may not care about how the “average” charter school performs when deciding whether to fund the best charter schools. On a related note, it was observed that statistical rigor and burden of proof are different concepts.
- Are there elements of impact besides outputs that are measurable? DARE, which has been highly successful in scaling up, was cited as a program with many outputs yet little or no impact.
- The nonprofit sector should emphasize accounts (narrative) as well as accountants and accountability. Getting stories out to the public, to inspire others to believe they can make a difference, is important. In that respect, social entrepreneurs are both the difference makers and the biggest recruiters for change.
- “Fund what works” can be problematic. Many programs work well small but won’t necessarily work well if grown. Suggested area of research: What determines how well a program will scale?
- How can we create a basis for funders (public or private) of similar organizations to make valid choices of one approach over another?
• Outcomes should be large and measurable. If you have to use statistical methods to prove impact, you’re not being ambitious enough.

_Paper cited during the discussion:_

**SESSION 3: FINANCING AND BUSINESS MODELS**
Facilitator: **Aaron Chatterji**, Assistant Professor, Fuqua School of Business, Duke University
**Charles Harris**, Cofounder and Executive Partner, SeaChange Capital Partners
**David Robinson**, William and Sue Gross Distinguished Research Scholar, Associate Professor of Business, Fuqua School of Business, Duke University

**Mr. Harris** characterized his organization, SeaChange, as attempting to create a national network of wealthy families to give collaboratively on education reform in low-income American communities. He described the investment characteristics of organizations SeaChange supports at the level of enterprise financing: 1) a track record of measurable results, 2) strong leadership, 3) engaged funders, including intermediaries, 4) organizational development to the point of having outgrown the founder, and 5) policy orientation.

Mr. Harris concluded by asking a series of questions for the group to consider. What would motivate wealthy families to collaborate? This question, in turn, breaks down into three subqueries: 1) What’s the appeal of funding outside one’s own community? 2) What is meant by funder engagement? 3) What is the value of being in a movement? Then again, what might be the appeal for someone from business (that is, from the world of institutions and organizations) to invest in movement support? Where can debt or PRI financing be used? And what are the optimal forms and timing of public/private collaborations?

**Professor Robinson** began by explaining that he teaches entrepreneurship at Duke’s Fuqua School of Business. He observed that Mr. Harris, in his description of what SeaChange looks for in nonprofit organizations, described the very things that venture capitalists look for in new businesses. He pointed out that SeaChange faces its own scaling challenges, just as any venture capitalist does.

Professor Robinson observed that the basic question “How can we harness capital markets to promote social impact?” is similar to the basic question facing entrepreneurs: How can we harness capital markets to promote startup businesses? The fundamental challenge in harnessing capital markets to promote social impact is structuring corporate governance to solve the information asymmetry problem—we don’t know which service providers are most worth funding.
He argued that due diligence is an important element in solving the information asymmetry problem. Yet due diligence is both difficult to scale and critical for generating scale. The challenge going forward is, Can we create market actors who have natural incentives to provide corporate governance and due diligence functions that employ business models that are scalable? He suggested a ratings agency for social investment opportunities.

Finally, Professor Robinson observed that, when a donor makes a contribution, the moment of catharsis is the moment the decision is made to give. The donor doesn’t get return in the same way that investors in businesses do.

*In the discussion that followed, the following ideas were brought up by members of the audience:*

- Nonprofits that are involved in revenue-generating activities were discussed. Whatever it takes for a for-profit business to be successful is what it takes for a nonprofit business to succeed. Revenue generation is not appropriate for all nonprofits.
- Regarding the information asymmetry problem, there may be a business model in the gatekeepers—community foundations, wealth advisers, estate planners—because they are paid to do due diligence.
- There was a discussion of (admittedly unlikely) accounting changes that might improve the functioning of capital markets: For example, the amount of tax write-off might be indexed to an efficiency rating of the organization being donated to.
- Provision of comprehensive information about nonprofits won’t necessarily, in practice, improve funding decisions, especially among new donors. Philanthropists don’t necessarily want to be rational. When information and ratings are produced, they often aren’t used.
- Money is raised by narrative and stories. Intermediaries like SeaChange can identify effective organizations and tell their stories to donors.
- People give to the people and organizations they know. Therefore money tends to stay within communities with money. How do we persuade people to give to organizations they don’t know well?
- People who use services are the very ones who have no voice in funding decision-making. They should have a stronger voice in the decisions that affect them. Are vouchers a way of empowering the voiceless? Is there some other mechanism?
- Suggestions for research: Why do people donate? How do donors react to better information? Do intermediaries work like venture-capital firms by providing treatment effects?

**Closing Session and Wrap-Up**

**Edward Skloot**, Director, Center for Strategic Philanthropy and Civil Society, Terry Sanford Institute of Public Policy, Duke University

**Greg Dees**, Professor of the Practice of Social Entrepreneurship and Nonprofit Management, Fuqua School of Business, Duke University
Mr. Skloot observed that the conference sessions had revolved around four big themes, all of which are ripe for further investigation.

First, questions at the broadest, almost philosophical level: What is scaling? Why do we do it? Is scaling universally applicable? What are the gains and losses?

Second, questions internal to organizations: How much capital does one need? What kind of technology does one need? How does size relate to scaling? What is impact and how does it relate to scaling?

Third, questions external to organizations: What roles can government play? What roles can intermediaries play? How does scaling relate to the communities that organizations are imbedded in?

Fourth, questions of phasing and timing: When is capital needed? When are different kinds of capital needed?

Finally, Mr. Skloot explained that conference organizers intended to build a network to continue the conversation. He put out a call for papers to create a publishable volume on the topic of scaling.

Professor Dees asked the group for further suggestions for what to do next. Participants offered numerous suggestions, for example:

- The group might take a single case study and look it at from the point of view of different disciplines: political science, economics, sociology, and so on.
- The Aspen Institute’s Giving Voice to Values curriculum development initiative was offered as a model for the production of teaching materials.
- The group might develop diagnostic toolkit for orgs considering whether/how to scale.
- The group might follow a “living case study,” possibly on global warming.
- CASE’s work on developing the database SCALERS (Staffing, Communications, Alliances, Lobbying, Earnings generation, Replication, Stimulating market forces) may be a useful tool for measuring organizational ripeness for scaling.

The group discussed the problem of coordinating the efforts of academic researchers and practitioners. While researchers often say they’re interested in collaboration, the reality is they’re frequently unable or unwilling to do so.

In closing, Professor Dees and Mr. Skloot thanked all participants for their valuable contributions.