

# Making it Easier to Identify Top, High-Impact Nonprofits

Cynthia W. Massarsky 23 October 2012

## Introduction

Few would dispute the simple but powerful theory of social change that acknowledges the unique contribution of nonprofit organizations and their potential to help solve society's most pressing problems, that many nonprofits are already achieving strong results, and that growing them is a highly effective strategy for reaching more people in need.

Yet despite all of the important work accomplished by nonprofit organizations over the last hundred years, significant growth has remained an elusive goal for most of them. Even the most effective mission-driven organizations face the daunting challenge of achieving widespread impact. Most have remained small in proportion to the problems they work to resolve. As social analyst Lisbeth Schorr wrote, "We have learned to create the small exceptions that can change the lives of hundreds. But we have not learned how to make the exceptions the rule to change the lives of millions" (Schorr 1997).

The inability to achieve scale—to make meaningful and

sustainable impact by reaching greater numbers of people —has limited the potential of these organizations and the people and causes they serve. If we had a vaccine that would prevent a serious illness, we would want to do all we can to ensure that everyone receives it. Likewise, society's complex and pressing challenges call for solutions with higher trajectories for the growth and scale of impact.

## **What We Mean by 'Scale' and Why it Matters**

## **What We Mean by 'Scale' and Why it Matters**

Bringing solutions to scale is about finding what works and getting it out to the people and places that could benefit the most. Much of the experience in the past 10-20 years in scaling has been built up by nonprofit practitioners actually experimenting to see what works. And funders have been integrally involved in a lot of this experimentation.

The term 'scale' has a number of definitions, connotations and applications. We prefer to think of it as broadly as possible, since our overarching goal is to *scale impact*, and scaling impact can come in many forms, shapes and sizes. Though people typically talk about scaling as growing or replicating programs or even entire

organizations (e.g., reproducing a model in different locations or within different organizations), there is no question that scaling encompasses strategies that generate impact through products and technology platforms, practice dissemination, advocacy and public policy, and systems change.

Scale matters. Given the right timing and ingredients, scale has the potential to add capacity, improve quality, boost efficiency and increase leverage. It can produce cost savings, support more effective allocation of resources and facilitate new distribution systems. Scale indicates that an organization or idea has a following, and can provide the 'clout' to influence others. Scale can help attract talent, grow networks and encourage strategic alliances. It can increase investment (people are often attracted to large numbers) and improve sustainability. At a macro level, scale can reduce reinventions, influence public policy and, as many hope, facilitate broad, systemic social change.

Simply put, whether implemented deeply at a local or regional level, or more broadly at a national level, there are literally hundreds of millions of people who would benefit from the changemakers who have pioneered new and effective initiatives that are worthy of scale. There are programs in poor neighborhoods that make college a possibility for every one of their students; there are those that improve the health and well-being of vulnerable

children and families; and there are others that provide job skills and opportunities for people who are the most difficult to employ.

For example, the Parent Child Home Program (PCHP), based in New York, is an evidence-based school readiness, early literacy program for the growing number of families with two- and three-year old children who face enormous barriers to future school success. It has a proven model for using trained paraprofessionals to work with families that have not had access to educational and economic opportunities, preparing children for academic achievement and strengthening families through intensive home visiting. Now in more than 150 communities in 14 states, Bermuda, Canada and Ireland, the PCHP serves approximately 7,000 families annually. Beginning in 2005, PCHP scaled up to over 200 families annually in Philadelphia with the distinct goal of targeting those city zip codes in which many children were arriving at school for kindergarten having had no early childhood education or school readiness support prior to entering the classroom. Why shouldn't more children and families benefit from such a program as this?

So why have so many initiatives found it hard, if not impossible, to reach their full potential? We would suggest that two main deterrents are (1) a lack of *information* about what it takes to scale and (2) a lack of *structured, accessible capital* that would enable

initiatives to build their operational and financial capacity to support their spread or growth.

## **Scaling: A Fragmented Field of Knowledge**

# **Scaling: A Fragmented Field of Knowledge**

High-quality, accessible information is a necessary ingredient for decision-making. Capturing, sharing and leveraging data and knowledge on scaling should:

- inform and guide funders and social investors,
- educate nonprofits about what it takes to scale impact, and
- provide the sector overall with a reproducible framework for achieving scale and sustaining growth while maintaining quality *and* the highest possible social value returns on investment.

Philanthropists and professional philanthropic organizations have been grappling for a long time with how to support initiatives that are scaling. They know intuitively that to scale the impact of a social innovation often requires a different way of thinking as well as a different way of funding. For the funder, the questions of how best to aid nonprofits to manage the challenges of scale are complex and far-reaching: from capacity-building to financial modeling, from conducting outcome evaluations and fine-tuning operations to managing policy

and advocacy campaigns. The 'field of practice' around scaling impact for nonprofits is both essential and continuously evolving.

Fortunately, an increasing number of practitioners, funders, researchers and others are working on building knowledge for scaling. Also fortunately, a body of such knowledge already exists, produced by a number of organizations and captured in video, written and other formats (including case studies). But this body of knowledge is highly fragmented across many different websites and producers. In nearly every case, to get at the knowledge that refers to strategies of "scaling" requires searching by different topic and subject areas. Among several of its activities, The [Social Impact Exchange](#) (the "Exchange") is serving as a central repository for collecting, curating and disseminating resources on the subject so that those interested in obtaining information will have an easier time accessing it. This growing library is free and now numbers more than 175 entries, including case studies, white papers, research reports, articles, tools and templates, as well as a literature review for funders, *Scaling Social Impact: a Literature Toolkit for Funders* (<http://bit.ly/MS4liM>). Access the library through the Exchange's website at <http://bit.ly/siexknowledge>.

## **Building a Capital Marketplace for Bringing Evidence-Based Initiatives to Scale**

# Building a Capital Marketplace for Bringing Evidence-Based Initiatives to Scale

We suggest that access to growth capital through a fully functioning capital marketplace is also a necessary ingredient for getting high-impact initiatives to reach their full potential, both for those that are scaling as well as those who consider investing in them. Yet presently, capital for scaling impact is neither structured nor easily accessed by those who need it. Over the last several decades, we've had a mixed record of funding scale in the social sector, though we've seen a few major successes. In the 60s and 70s much of the work was about replication and was driven by government. In the 80s and 90s government pulled back, but philanthropy was not yet ready, by and large, to fill the gap.

During the last decade, however, a number of pioneering organizations such as the Edna McConnell Clark Foundation, New Profit, Inc., Venture Philanthropy Partners, Bridgespan, Monitor, SeaChange Capital Partners, Public/Private Ventures, Nonprofit Finance Fund and others laid the groundwork for the field to blossom. They have tested methods for selecting and working with organizations and initiatives that are spreading their models, and have portfolios of well-vetted nonprofits in which other funders can co-invest. Through their work, these pioneers have concluded that significant and long-

term investments in proven organizations with growth potential represent a highly efficient and effective way to support populations in need.

Nevertheless, growth capital still does not flow consistently or easily to evidence-based, high-performing organizations and their initiatives. Many, many successful innovations remain isolated and the promise of social progress they hold is unfulfilled. For businesses in the for-profit sector there exists a mature system to vet, select and support the growth of promising mid-sized companies. Yet no such capital market system exists in the social sector to identify, nurture and consistently finance dozens of scaling efforts annually at national, state and local levels. Lack of growth capital prevents the generation of substantially more investment and grant capital to drive solutions that solve our toughest social problems.

By definition, such a marketplace or ecosystem would incorporate exceptional deal flow of high-performing nonprofits, standards for due diligence, infrastructure and a practical financing process, and trusted distribution channels that connect funders to high-quality investments. It would include numerous key players— institutional funders, individual donors, wealth managers and philanthropy advisors, professional service providers, nonprofit practitioners, intermediaries, government, academics and researchers, and so on. And though the

intent would be to target private sector 'buyers' to scale impact, it is clear we must still work collaboratively with government. By its very nature, building a successful marketplace entails broad based collaboration in every issue area, in every city and across all sectors of philanthropy, business and government.

Three independent initiatives are playing an important role in demonstrating the value of a marketplace that connects 'buyers' with the 'sellers' of evidence-based programs that are scaling their impact. Over the last several years, policymakers committed their support to scaling what works through the new capital awards and grant matching programs created by the U.S. Department of Education's \$650 million *Investing in Innovation Fund* (i3) and the Center for National and Community Service's \$50 million *Social Innovation Fund* (SIF). The Social Impact Exchange has also emerged as a key 'marketplace' player.

The [Investing In Innovation Fund](#) (i3) program is a competitive grants program—a marketplace of ideas, evidence-based approaches, and five-to-one leverage. The program supports a portfolio of promising education programs that help close achievement gaps, personalize learning and accelerate student achievement. This past March, the U.S. Department of Education invited applications for a third round of "Scale-up" and "Validation" grants that will total \$150 million. The i3 Registry was created to simplify the process for

organizations seeking matching foundation funds for their i3 proposals, which are viewable on a web-based platform to participating member foundations. During the 2010 and 2011 i3 grant cycles, 40 of the 66 highest-rated applicants were matched by one or more registry funders, to the tune of more than \$68 million.

The [Social Innovation Fund](#) (SIF) represents a distinctive role for the federal government, that of a catalyst for change. Through an innovative public-private partnership, the Social Innovation Fund and selected local and national grantmakers mobilize funds to grow and validate community-based solutions in three priority areas: youth development, economic opportunity and healthy futures. Now in its third year, the SIF has grown to 20 intermediaries with 200 sub-grantees that are delivering innovative, high-impact services to needy people and communities in 34 states and the District of Columbia. These organizations have been awarded \$137 million and have committed to raise an additional \$350 million in matching funds. The SIF launched a rigorous evaluation program, constructed a knowledge network, and held two national convenings wherein intermediaries shared results and best practices. Most importantly, the subgrantees have already served more than 130,000 additional people in need with their SIF funding in just a year and a half of operations.

The [Social Impact Exchange](#) creates the conditions for

great ideas to go big. The Exchange is a cross-sector membership association for sharing knowledge and increasing investment in scaling effective social programs and solutions. It finds nonprofit initiatives that consistently get great results and are ready to grow, connects foundations and donors with trusted solutions to the problems they care about, and increases the power of giving by helping funders collaborate to achieve the greatest social good. The Exchange was launched in 2009 with more than \$1.8 million in support from the Robert Wood Johnson and Rockefeller Foundations, and is a partnership between the Growth Philanthropy Network and two centers at Duke University, the Center for the Advancement of Social Entrepreneurship (CASE) at Duke's business school and the Center for Strategic Philanthropy and Civic Society (CSPCS) at Duke's policy school.

The Exchange's activities are solely focused on building a capital marketplace to bring evidence-based initiatives to scale, and providing easy access to it. Its web-based platform, the **Contribution Center**, is designed to more efficiently connect thousands of individual philanthropists to nonprofits that have evidence of their success and are growing to spread their impact. In the coming months, the Contribution Center will integrate into donor advised funds, private banks and multi-family offices so that high net worth clients who give through those institutions can access them. The first phase of this integration with

Schwab Charitable, Morgan Stanley and Roundtable Investment Partners will provide more than 20,000 donors with access to top scaling initiatives.

The Exchange's **SIF Foundation Registry**, launched just this month, is a web-based platform designed to simplify the process for grantmaking foundations to identify and consider matching funds for eligible Social Innovation Fund (SIF) intermediaries and sub-grantees. The SIF Registry incorporates a password protected, interactive space for funders to share information with their colleagues and take advantage of the valuable relationships, networks and best practices created by the SIF.

The Exchange's **Working Groups** serve as the nucleus of the collaborative marketplace. They consist of 30-40 funders each in education, health, poverty and impact investing, and are charged with identifying, funding and sharing opportunities for co-funding with broader networks of thousands of other funders. Over the next three years, the Exchange will create Local Scaling Markets in specific cities as well. Because the vast majority of philanthropic contributions are made locally, creating a network of geographic-based markets is critical to the long term development of a national marketplace that can spread solutions and drive impact in communities across the country.

The Exchange's annual **Business Plan**

**Competition** serves as a platform for identifying nonprofits with the readiness and capacity for growth, and provides financial and consulting awards to support their plans. The Competition helps develop a stronger pipeline of growth-ready nonprofits and a community of nonprofits that are focused on scaling impact.

## **Moving Forward**

## **Moving Forward**

In the current environment, with limited resources and more emphasis on getting big bang for the buck, it is more critical than ever to ensure that reliable information for informed decision-making and sufficient growth capital are available to scale social programs that will maximize impact.

To be clear, the nonprofit sector carries great promise for developing solutions to many of our most intractable social problems. Now is the time to ensure that we spread the most effective of them to our most vulnerable populations, that current efforts benefit from lessons learned in the past, and that current lessons are captured and communicated effectively to the broad array of institutions that are and will be interested in scaling for years to come. In our collective pursuit of knowledge on the subject, it is equally important to recognize the value

of new research on the practices of funders, practitioners and others. Learning more about the critical topics in scaling impact and articulating a developmental theory of scale will both encourage sound decision-making and support the nonprofit marketplace many of us are working to build.

**Cynthia W. Massarsky has a 35-year history in the nonprofit sector, where she has been at the forefront of the social entrepreneurship movement. She is currently Vice President at Growth Philanthropy Network and Director of the Social Impact Exchange, a cross-sector membership association for sharing knowledge and increasing investment in scaling effective social programs and solutions. Most recently, Massarsky directed the Yale/Goldman Sachs Business Plan Competition which she created for the Pew Charitable Trusts, Goldman Sachs Foundation, and Yale School of Management. Massarsky is also principal of CWM Marketing Group, a consulting firm specializing in marketing, new business development, and evaluation services for nonprofits, foundations, and corporate philanthropy. Previously she held positions at Scholastic, the Ms Foundation, New Ventures and The Foundation Center. She has a number of publications to her credit including *Generating and Sustaining Nonprofit Earned Income: A Guide to Successful Enterprise Strategies* (Jossey-Bass), and holds a bachelor's**

**degree from Simmons College and an M.B.A. from Cornell University.**

## **References**

## **References**

Schorr, L. (1997). *Common Purpose: Strengthening Families and Neighborhoods to Rebuild America*. New York: Random House.