

BRIEFING PAPER

TOPIC

1

What Do We Mean by Scale?

REFRAMING THE CONVERSATION:

A GEO BRIEFING PAPER SERIES ON GROWING SOCIAL IMPACT

Despite significant philanthropic and public-sector investments to address disparities in human and environmental health, education and economic opportunity over decades, core social problems have not gone away and in some cases have increased. Often the approaches to solving these problems are fragmented and funding processes are overly complex or create unnecessary restrictions, leaving nonprofits as well as philanthropic and government funders ill equipped to successfully increase social impact. Across each of these dimensions, we need to better understand what works, why and how.

In the midst of this mounting imperative to achieve better and more results, the philanthropic sector is forging promising new pathways for innovation. Experimentation with new forms of giving is increasing. New actors are bringing a renewed sense of possibility. The growth of philanthropy globally is expanding networks of knowledge and collaboration. And the sector is adopting a variety of management theories, organizational tools and practices

— such as evidence-based management, technological capacity and organizational learning¹ — in pursuit of better results.

All of this suggests a willingness among grantmakers and nonprofits to dramatically increase the level of intentional investment in bringing effective approaches to scale while also acknowledging that current practice, at a certain level, is “stuck” — in some ways insufficient to meet current challenges and realize the potential of new opportunities.

Though we still have much to learn about fostering and sustaining social impact, one way to get “unstuck” is by examining **what we are learning about grantmaker practices that support grantees — practices that are critical in the context of scale and lead to smarter grantmaking, stronger nonprofits and better results.**

¹ For example, see these publications: Grantmakers for Effective Organizations, *Learning for Results* (Washington, D.C.: GEO, 2007). Lucy Bernholz et al., *Disrupting Philanthropy: Technology and the Future of the Social Sector* (Durham, N.C.: Duke University, 2010). Marilyn J. Darling, *A Compass in the Woods: Learning through Grantmaking to Improve Impact* (Boston: Signet Research and Consulting LLC, 2010). McKinsey and Company, *Learning for Social Impact: What Foundations Can Do* (New York: McKinsey and Company, 2010).

SCALING AS GROWING IMPACT

In philanthropy, there are multiple definitions for and ways to think about “scale,” including the expansion, replication and adaptation of programs to new areas or populations or the deepening of programs within an already-served area. While there is great virtue in helping successful nonprofit organizations and effective programs expand, it is not the only way grantmakers can achieve impact — and it is often not the most effective way to do so.² An organization-centered approach may also contribute to an “isolated impact” mindset across the sector — described by FSG Managing Directors Mark Kramer and John Kania as an orientation to “finding and funding a solution embodied within a single organization”³ — that actually dampens collective efforts to achieve impact.

Recognizing this, grantmakers of all kinds are shifting the way they think about scale, emphasizing not size or reach but impact. Growing impact does not necessarily require organizational growth or the wholesale replication of programs — it may instead require expanding an idea

or innovation, technology or skill, advocacy or policy change.

As Jeff Bradach, managing partner and co-founder of Bridgespan, has put it, “The question now is ‘How can we get 100x the impact with only a 2x change in the size of the organization?’”⁴

With impact as its central focus, successful scaling begins with a clear sense of purpose and approach.

PURPOSE. What should be scaled, why, where and how? When it seems that scaling can be sped up through an intentionally planned process, rather than opportunistically or by simply letting spontaneous diffusion happen, clarifying the purpose of this process for grantmakers and grantees alike is key. Evaluation can play an important role not only in identifying what works and why but also in assessing readiness for, planning and implementing the scaling process itself. Heather Weiss, founder and director of the Harvard Family Research Project, in the Spring 2010 issue of *The Evaluation Exchange*, suggests, “[W]hen we take something to scale, we need to start with a clear sense of what is being scaled, why it is being scaled, how the process will work, and what it should look like in the end.”⁵

About This Paper Series

This briefing paper is the first topic in a series from GEO’s *Scaling What Works* initiative, which will be released throughout 2011. Authored by Dara Major, the collection pulls together the best thinking, research and actionable approaches to scaling impact, as well as provides additional resources for grantmakers that would like to dive deeper into paper concepts and questions. Individual papers delve into topics such as understanding approaches to scale, developing grantee evaluative capacity,

structuring and financing scale, and more. To access the latest topic and learn more about *Scaling What Works* and how you can get involved, please visit: www.scalingwhatworks.org.

² Jeffrey Bradach, managing director and co-founder of Bridgespan, has noted, “[P]owerful ideas emanated from the for-profit sector that propelled new thinking and behavior in the nonprofit one,” including a venture capital mindset that, while supporting “a sharp increase in the sector’s attention to ‘capacity building,’” may have led to an overemphasis on expanding organizations instead of increasing impact. Jeffrey L. Bradach, “Foreword: From Scaling Organizations to Scaling Impact” in *Scaling Social Impact: New Thinking*, ed. Paul Bloom and Edward Skloot (New York: Palgrave MacMillan, 2010), ix.

³ John Kania and Mark Kramer, “Collective Impact,” *Stanford Social Innovation Review* 8, no. 1 (Winter 2011): 38.

⁴ Jeffrey Bradach, “Scaling Impact,” *Stanford Social Innovation Review* 8, no. 3 (Summer 2010): 27.

⁵ Heather B. Weiss, “From the Director’s Desk,” *The Evaluation Exchange* (Harvard Family Research Project), 15, no. 1 (Spring 2010): 1. This issue explores scale from a variety of theoretical and practical perspectives, including the role of evaluation.

APPROACH. Guided by a clear sense of purpose, scaling approaches to consider may include spreading an idea or innovation, increasing adoption of a proven tool or practice, or changing behavior through policy. Building on Weiss' comments, Julia Coffman, of the Center for Evaluation Innovation, offers an overview of four approaches to and definitions of what can be scaled, including the mechanisms underlying each:⁶ (See chart below.)

As these approaches illustrate, scaling often entails a mind shift — conceptualizing and working throughout an entire system either to improve existing solutions or to alter the social conditions that create and sustain a problem in the first place. Paul Bloom and Gregory Dees of Duke University describe the system a grantmaker seeks to influence as an “ecosystem” of key external resources, beneficiaries and environmental conditions.⁷

To grow impact is not to go it alone. It requires strategy, planning, collaboration and intentional investment. The complexity of connection demands careful attention to the “ecosystem” of context and implementation. Take time to understand the context within which a scaling process will happen — the dynamics of need, institutions and networks — to better navigate within it. And work across organizational boundaries — through collaborative planning and consensus building, joint investment and leveraging of resources, and coordination and integration of funding — to harness complementary capabilities rather than create them. Indeed, *Forces for Good* authors Leslie Crutchfield and Heather McLeod Grant found that “High-impact nonprofits work with and through other organizations and individuals to create more impact than they could have ever achieved alone.”⁸

Four Approaches to Scale

WHAT IS SCALED	DEFINITION OF SCALE	SCALING MECHANISMS
<p>Program A system of projects or services that meets a need for individuals or communities.</p>	<p>Copying a program that research has shown to be effective, with the expectation that it can or will produce the same results in different places. Scaled programs often allow for flexibility in implementation to best adapt to the local context.</p>	<p>Replication Adaptation</p>
<p>Idea or Innovation A new way of thinking about or doing something; new solutions to problems.</p>	<p>Spreading an idea among individuals or organizations within a certain area or system (geographic, organizational, professional); ideas can be adapted to fit different purposes or contexts.</p>	<p>Communication Marketing Dissemination</p>
<p>Technology or Skill Products, tools, techniques or practices.</p>	<p>Increasing the number of people or places that use or apply a technology, practice or approach.</p>	<p>Marketing Distribution Training Granting</p>
<p>Policy Codified statements that define plans or a course of action.</p>	<p>Ensuring that ideas expressed as policy are transformed into behavior throughout a place or jurisdiction (e.g., city, county, state, region, country).</p>	<p>Implementation</p>

Source: *The Evaluation Exchange* (Harvard Family Research Project), 15, no. 1 (Spring 2010): 3.

⁶ Julia Coffman, “Broadening the Perspective on Scale,” *The Evaluation Exchange*, 15, no. 1 (Spring 2010): 3.

⁷ Paul Bloom and Gregory Dees, “Cultivate Your Ecosystem,” *Stanford Social Innovation Review* 6, no. 1 (Winter 2008): 47-53; John Elkington et al. “From Enterprise to Ecosystem: Rebooting the Scale Debate,” in *Scaling Social Impact*, ed. Paul N. Bloom and Edward Skloot (New York: Palgrave Macmillan, 2010), 83-102. For an example of systems thinking in the context of scale, see Carol Wilkins, et al., “Laying a New Foundation Changing the Systems that Create and Sustain Supportive Housing” (report for Corporation for Supportive Housing, New York, 2003).

⁸ Leslie Crutchfield and Heather McLeod Grant, *Forces for Good: The Six Practices of High-Impact Nonprofits*, (San Francisco: Jossey-Bass, 2008), 107.

GROWING IMPACT:

THE GRANTMAKER'S ROLE

IN SCALE

Grantmakers seek to deliver on mission in a variety of ways — and scalability may not be what they are looking for in every case, particularly in new or emerging sub-fields. Some grantmakers, for instance, may seek to support rather than expand existing approaches — what George Overholser, in his work at the Nonprofit Finance Fund, called “a certain wisdom in small checks.”

Grantmakers who do seek to support intentional scaling find that the process requires a deeper level of investment of their own time — in high-engagement relationships with grantees and others — which has practical implications when managing a portfolio of grants.

These practices become critical in the context of scale.

Key activities that facilitate scaling and related grantmaker practices that strengthen grantee results include the following:

- a. ***Building a strong base of operations through general operating support.*** Whether a grantmaker seeks to support scale or not, a robust organizational infrastructure and talented staff are essential to nonprofit success. Grantmakers and nonprofits agree that the practices most likely to influence this are providing general operating support, making multiyear commitments and cultivating supportive, respectful relationships. Yet research from GEO and others has shown that only 20 percent of grant dollars are for general support, and the median grant size for all staffed foundations is only \$20,000.⁹ These factors, added to the time-consuming requirements for applying for and reporting on funding, end up diminishing the overall

value of the grant to nonprofits. As one observer has noted, “A vicious cycle is leaving nonprofits so hungry for decent infrastructure that they can barely function as organizations — let alone serve their beneficiaries. The cycle starts with funders’ unrealistic expectations about how much running a nonprofit costs, and results in nonprofits’ misrepresenting their costs while skimping on vital systems.”¹⁰ When an already resource-strained nonprofit is struggling to attract and keep high-quality staff, it often simply cannot develop the externally-focused core capacities, such as alliance building and communications, that actually position it for growth.¹¹

- b. ***Assessing readiness for growth.*** When a grantmaker and nonprofit determine there is growth potential, an important first step is outlining what it would take to expand while also maintaining or improving program quality and achieving sustainability — which enables grantmakers and grantees alike to realistically assess whether growth is feasible. This process is often best structured as an initial investment, with grantmakers underwriting the costs of developing a business plan with the assistance of consultants and evaluators.

“We invest in a planning and skills-building process for nonprofits with whom we think we want to partner for scale. And we actually consider it a success of our approach when, at the end of a planning year, a nonprofit says: ‘You know what? We can already see that this intervention isn’t going to work, and we need to change course.’ Being intentional about what you are not growing is just as important as moving ahead with a growth process.”

Susan G. Zepeda
Foundation for a Healthy Kentucky Inc.

⁹ Grantmakers for Effective Organizations, *Is Grantmaking Getting Smarter: A National Study of Philanthropic Practice* (Washington, D.C.: GEO, 2008), 3.

¹⁰ Ann Goggins Gregory and Don Howard, “The Nonprofit Starvation Cycle,” *Stanford Social Innovation Review* 7, no. 4 (Fall 2009): 49.

¹¹ Paul Bloom and Aaron Chatterji, “Scaling Social Entrepreneurial Impact,” *California Management Review*, 51, no. 3 (January 2009): 114-133. This study examines operational contexts as they relate to organizational capabilities, finding that certain core capacities, or SCALERS (staffing, communications, alliance building, lobbying, earnings generation, replication and stimulating market forces), position organizations for successful scaling more effectively than others.

c. ***Distinguishing growth (capital and other assistance) from business as usual.*** It is important to distinguish among nonprofit sustainability, the scaling process itself, and the result that a scaled enterprise is expected to deliver. Revenue must be steady and ongoing for a nonprofit to survive and remain sustainable. Growth capital, however, is episodic — and it accompanies a growth process that is itself risky, requiring new skills and financial tools as well as patterns of change that are inherently, if temporarily, destabilizing and almost always unpredictable. Further, an investment in growth must be seen as complementary to growth in a business model — it supports, but is not a substitute for, that growth. In their work at the Nonprofit Finance Fund, Clara Miller and George Overholser note, grantmakers should be clear about whether they are “buyers,” contributing to an organization’s current operations in the absence of additional requirements or changes in its current business model — or “builders,” investing equity to sustain, change or expand an organization and its work.¹² For all of these reasons, assistance beyond the grant check can be critical during scaling processes. For instance, Venture Philanthropy Partners provides not only growth capital in the form of unrestricted, multiyear grants but also “strategic assistance” in the form of coaching, mentoring, guidance on board development and support for maintaining a focus on growth plans, milestones and more.¹³

d. ***Building evaluative capacity — helping grantees build their evidence base.*** There is wide variation in the practice, use and dissemination of evaluation in grantmaker and grantee organizations alike. That said, grantmakers are increasingly creating, modifying or adopting assessment tools that can identify capacity weaknesses and build on the strengths of grantees as well grantmakers.¹⁴ Choosing from among the extensive set of analytic approaches and methods developed by

the evaluation field over many years of practice — including logic models, case studies, surveys, quasi-experimental designs and needs assessments — depends on what is being scaled, its implementation stage, how results will be used and the kinds of decisions an evaluation is meant to facilitate.¹⁵ When grantmakers and nonprofits partner to develop infrastructure for gathering data about their results, they strengthen not only the facts on the ground but also the context in which high-performing organizations do their work.

e. ***Securing additional growth capital.*** Raising growth capital is a slow, time-consuming endeavor for many nonprofits. Grantmakers that wish to help their most successful grantees grow and become financially sustainable may deploy a number of different strategies — from helping to identify additional grantmakers to aggregating capital with other grantmakers. Yet the Center for Effective Philanthropy has found that the typical foundation provides just 22 percent of its grantees with assistance in securing funding from other sources; most frequently this is in the form of suggesting other grantmakers, which is not viewed as especially helpful by grantees. The typical foundation goes beyond this for only 12 percent of its grantees, for instance providing personal introductions to other potential grantmakers or attending fundraising meetings with grantees — even though grantees report these are the activities that make a difference.¹⁶ The Edna McConnell Clark Foundation has pioneered a new approach to leveraging through its Growth Capital Aggregation Pilot. Coordinating with 22 other funders, the foundation supports the expansion and long-term sustainability of high-performing nonprofits by jointly raising and pooling up-front growth capital to pursue philanthropic goals and coordinating with grantees to reduce evaluation and grant-related transaction costs.¹⁷

¹² Clara Miller, “The Equity Capital Gap,” *Stanford Social Innovation Review* 6, no. 3 (Summer 2008): 41–45. George Overholser, *Nonprofit Growth Capital: Defining, Measuring and Managing Growth Capital in Nonprofit Enterprises, Part 1: Building Is Not Buying* (New York: Nonprofit Finance Fund, 2005).

¹³ To learn more about Venture Philanthropy Partners’ approach or to read “GrowingWhatWorks,” reflections by President and CEO Carol Thompson Cole, see http://www.vpppartners.org/learning/perspectives/pres_perspective/0905-growing-what-works-pt1.html.

¹⁴ Lori Bartczak, ed., *A Funder’s Guide to Organizational Assessment* (Washington, D.C.: Grantmakers for Effective Organizations/ Fieldstone Alliance, 2005).

¹⁵ American Evaluation Association, *An Evaluation Roadmap for a More Effective Government* (Fairhaven, Mass.: AEA, September 2010).

¹⁶ Center for Effective Philanthropy, *More Than Money: Making a Difference with Assistance beyond the Grant* (Cambridge, Mass.: CEP, 2008).

¹⁷ For additional information, see: <http://www.emcf.org/partnerscapital-aggregation/growth-capital-aggregation-pilot/>.

Taken together, these practices highlight areas that connect grantmakers and grantees across shared missions, goals, strategies and values — and potentially enable both to allocate resources differently as they partner in increasing the grantee’s impact.

“Most social issues dwarf even the most well resourced, well-managed nonprofit. And so it is wrongheaded for nonprofit leaders simply to build their organizations. Instead, they must build capacity outside of their organizations. This requires them to focus on their mission, not their organization; on trust, not control; and on being a node, not a hub.”¹⁸

Jane Wei-Skillern
University of California, Berkeley and Stanford University

The vision, goals and operating structure that the Social Innovation Fund shares with its intermediaries and grantees present one clear example of these practices at work.¹⁹ Yet grantmakers of all kinds — community, regional or global — who share the desire to have an impact relative to the size of the problem they are tackling will be able to apply these ideas to their own work.

WANT TO BE A GRANTMAKER

THAT GROWS IMPACT?

In the midst of a mounting imperative to achieve better and more results, the philanthropic sector is forging promising new pathways. To strengthen grantee results and more effectively grow impact, grantmakers should consider the following steps:

1. **Clarify purpose:** Start with a clear sense of what is being scaled, why it is being scaled, where and how the process will work and what it should look like in the end.
2. **Define an approach:** Choose an area such as helping successful nonprofit organizations and effective programs expand, spreading an idea or innovation, increasing the adoption rate of a proven tool or practice, or changing behavior through policy.
3. **Target activities that facilitate scaling:** Engage in building a strong base of operations, assessing readiness for growth, distinguishing growth from business as usual, helping grantees build their evidence base and helping grantees secure additional growth capital.
4. **Adopt practices that support grantee results:** Provide general operating support; make significant, multiyear commitments; and nurture respectful relationships.

Bottom line? To scale is not to go it alone, and the complexity of connection demands careful attention to context and implementation. Ultimately, growing impact is about more than just helping nonprofits plan, adapt and become financially sound — it is about significantly improving social and economic equity, human and environmental health, access to opportunity and community vitality.

¹⁸ JaneWei-Skillern and Sonia Marciano, “The Networked Nonprofit,” *Stanford Social Innovation Review* 6, no. 2 (Spring 2008): 40.

¹⁹ For more information on the Social Innovation Fund, an initiative of the Corporation for National and Community Service, see <http://www.nationalservice.gov/about/programs/innovation.asp>. GEO is pleased to collaborate with the Corporation for National and Community Service to help broaden the reach and impact of the Social Innovation Fund.



About *Scaling What Works*

Launched in 2010, *Scaling What Works* is a multiyear learning initiative of Grantmakers for Effective Organizations, a thought leader for promoting grantee-centric philanthropic practices that lead to more effective results. With the support of a coalition of 22 funders, GEO aims to expand the number of grantmakers and public sector funders that are working together to broaden the impact of high-performing nonprofits. Through *Scaling What Works*, GEO will offer trainings, networking opportunities and a host of tools and resources, such as this paper series, to better equip grantmakers to help the nonprofit organizations they support to plan, adapt and grow their impact in creating sustainable benefits for people, their communities and our planet.

For more about GEO and *Scaling What Works*, please visit:
www.scalingwhatworks.org.

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ADDITIONAL RESOURCES:

For additional resources on scaling impact, check out the "Useful Links" section of our website:

www.scalingwhatworks.org/resources/useful-links.

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