

SCALING IMPACT: A PRIMER FOR NONPROFITS



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WHY NOW, WHY THIS?

A constellation of factors has brought the social sector to this tipping point, this place where great change in process must happen so great social change can happen:

- The economy shuffled or realigned funding sources.
- The world itself – water resources, illness, poverty – changed.
- Technology now allows us to solve old problems with new techniques and to reach across borders, across cultures, and across sectors to find solutions and partners.

Risa Lavizzo-Mourey, president and CEO of the [Robert Wood Johnson Foundation](#), encapsulated the promise and challenge at a 2010 conference organized by the [Social Impact Exchange \(SIEx\)](#) to ignite the sector:

- We're on the edge of a new frontier.
- Improving the way we do things will pay a dividend far greater than any we have gotten before. (Better tools – especially technology)
- To drive social change, we need leadership, vision, passion, and savvy. (Exchanging ideas will bring us these.)
- None of us can do it alone. We need resilient, resourceful partners. (Collaboration)
- A new generation of social change agents is here. (Welcome the Millennials!)
- The whole is greater than the sum of its parts. (Collaboration)
- While failure is a bitter pill to swallow, it teaches a lesson (a motto that should hang on the office walls of investors, donors and nonprofit leaders).

The mantra for those scaling social impact is "cross-sector collective action." Without it, the social sector cannot deal with the social challenges that face us.

A CATALYZING AGENT

The Social Impact Exchange (SIEx) was started to facilitate **the communication and collaboration needed to scale social impact.**

The Exchange itself, and its inaugural conference, Social Impact Exchange Conference 2010 (SIEx10): Taking Social Innovation to Scale, are examples of collaboration among [Growth Philanthropy Network](#), the [Robert Wood Johnson Foundation](#), [the Rockefeller Foundation](#), [Duke University](#) and many, many other individuals and organizations.

“I am overjoyed by the interest in working together and the energy,” said Alex Rossides, president and cofounder of the Growth Philanthropy Network. “That message [collaboration] came through. One of the key aspects of the conference, in addition to the very important sharing of knowledge and ideas and discussion, was the real emphasis on actually taking collaborative action.”

Action there is.

A PLACE TO BEGIN

The conference covered:

- using evidence to prove impact/effectiveness and why we must do so;
- the need for collaboration (you can't do this alone);
- sourcing money (a multi-source, long-term approach is needed);
- establishing a flow of funding “deals” through business plan competitions and investment fairs (both of which took place at the inaugural conference).

We're at a tipping point, a moment in time when systemic changes create great progress or when the system buckles under its own weight.

KEEPING THE CONVERSATION GOING

This ebook will give nonprofits a sense of the problems and opportunities raised at the conference and help them join the conversation. It is a compilation of Ventureneer's observations and the observations of other participants who attended the conference and have shared their thoughts as well as a compilation of resources, and suggestions for other discussion areas.

For more details of presentations, you can listen to [texts of speeches and the videos](#) of the presentations at the SIEx10 conference website. The Exchange's second annual conference for funders, philanthropists, and grantmakers will take place June 15-16. It will be preceded on June 14 by a half-day Symposium on Scaling Impact, which nonprofit organizations can attend. Speeches, videotape and insights from these two events will be uploaded to the [SIEx website](#) shortly thereafter.

As Rossides said, “The thing that is our challenge going forward ... is harnessing the positive energy of the conference and turning it into tangible action. That is the most important thing, that is only way we can have a joint, collective impact that is far greater than individual impact.”

ADDITIONAL DISCUSSION AREAS

Leadership / people needed for scaling:

- [Leading Change](#), John Kotter
- [Executive Thinking: The Dream, The Vision, The Mission Achieved](#), Leslie Kossoff.

Organizational infrastructure, processes, and procedures:

- [The Organizational Capacity Assessment Tool](#) by McKinsey & Company for Venture Philanthropy Partners discusses organizational skills, human resources, systems, infrastructure, and structure;
- [Knowledge Sharing in the Social Sector.](#)

INSIGHTS AVAILABLE

Increasing investment and sharing knowledge are so important that Ventureneer has made insights from the conference easily available. Links to all blogs about the conference are available at [Ventureneer: SIEx10](#) and at [Social Impact Exchange](#). Special thanks to [Adin Miller Consulting](#) whose idea it was to form a blogging team to cover the conference. This ebook is designed to make those insights more useful by providing context.

Keep on learning by following the discussion at the [2011 conference](#).

IS BIGGER ALWAYS BETTER?

When organizations that make the world a better place start growing, that can be a good thing ... but only if the organization wants to grow, is ready to grow and has what it takes to do so: human, financial, managerial, and planning resources.

SO WHAT'S SCALING ALL ABOUT?

For Paul Carttar, director of the [Social Innovation Fund](#), a White House initiative to mobilize public and private resources to scale, scaling is for nonprofits that have shown measurable success in improving people's lives, who have the wherewithal to scale up, have a model that holds the potential to drive significantly greater benefits to large numbers of people.

Details of that definition vary – and change after discussions with others, according to the Stone Foundation, [Challenges and Considerations in Scaling Nonprofit Organizations](#).

Scaling is not for every organization. That bears repeating. *Scaling is not for every organization.*

Understand, too, that an organization can be doing excellent work with stupendous impact and still be unready for scaling or unsuitable for scaling. It's a point made well by [John Brothers](#), who pointed out that support for existing, effective nonprofits should not be lost in the rush to scale.

Before you decide to scale, you need to decide what you mean by “going to scale” so you can decide how to scale, what resources you'll need, how you'll get them, and how you'll measure impact.

WHAT DO YOU NEED TO KNOW BEFORE YOU SCALE?

Scaling comes at a price, both monetary and cultural. The Stone Foundation grantees suggested several factors to consider:

- capacity within the organization (management, staff, funding);
- capacity within partners;
- ability to remain true to mission;
- ability to maintain quality;
- possible compromise of individual program elements;
- loss of community or collegiality within the organization;
- assessment of external factors that might affect program effectiveness (culture, language, resources in target communities).

Add to that list consideration of technology that can extend your reach or partnerships.

“Scaling is partly about scaling programs and partly about scaling organizations, but there are many other ways to scale impact: by policy work, technology, techniques, and methodology,” Alex Rossides, president and cofounder of the [Growth Philanthropy Network](#), said.

Scaling is about having all the resources in place to retain quality while expanding impact.

And don't forget that [staffing](#) is one of the key elements you must evaluate, as Gayle A. Brandel, President/CEO, Professionals for NonProfits, noted.

Her concern was echoed by Vanessa Kirsch, New Profit, Inc., who said that the real obstacle to scaling is recruiting the management talent needed.

If you decide that your organization is ready for rapid growth, many options are open to you: replication, training-the-trainers, affiliation with others, and more. Each has benefits; each has downsides. You must decide which techniques are most appropriate for your organization.

The discussion of scaling is both philosophical and operational. If you are considering scaling, you need to analyze all facets.

GROWTH OPTIONS

Chances are, you aren't concerned about whether scaling social impact is the “in” thing. You want to know if scaling is appropriate for your organization. To answer that, do your homework. Scaling is an option that has promise for some and not for others, as *Knowledge Sharing in the Social Sector*, a report by Bridgespan, concludes.

Remember, you can grow without scaling. Slow, patient growth is better for many organizations.

Deciding between slow funded growth and rapid growth is a key decision. Consider the options carefully.

Whether you choose to scale or to grow gradually, growth will only be successful if it starts with introspection. Assess your appetite and readiness for scaling by learning all you can about your own organization as well as about the communities into which you want to expand.

Two yellow flags that apply to all growth were raised by Risa Lavizzo-Mourey, president and CEO of the [Robert Wood Johnson Foundation](#):

- Taking social innovation to scale takes planning time. Don't let urgency squeeze timelines so planning is condensed or the project becomes unachievable.
- Under-funding an initiative can undermine it.

To those, Ventureneer would add that funding must include:

- the cost of measuring impact, of providing all that evidence so vigorously demanded by funders;
- reasonable operating expenses (a term that is more accurate and positive than “overhead”). Operating expenses include infrastructure (software, computers, administrative staff) and fair salaries.

QUESTIONS ABOUT SCALE

- Is scaling replication or training-the-trainers?
- Is program consistency important?
- Does scaling your organization mean enlarging the geographic area served or adding more clients where you're at?
- Is adding more programs scaling?
- Must we go national or even global?
- Is "scale" the same for every nonprofit or is it different from one to another?
- Does it include mergers or consortia?
- Does adding advocacy to your programs count as scaling?

"KNOW THYSELF" RESOURCES

- [Innovations](#) by Greg Dees and Beth Anderson - Pre-Conference Workshop, N.C. Center for Nonprofits, October 2003, includes slides from a one-day workshop delivered to nonprofits interested in exploring strategies for spreading social innovations.
- [The Organizational Capacity Assessment Tool](#) by McKinsey & Company for Venture Philanthropy Partners provides tools for assessing your organization's aspirations, strategy, organizational skills, human resources, systems, and infrastructure, and structure. It also provides practical lessons from those who have already scaled successfully.

Publications and tools are available in the Social Impact Exchange [Knowledge Center](#) (membership is free).

[The Growth of the Social Enterprise](#) by Jane Wei-Skillern and Beth Anderson - Center for the Advancement of Social Entrepreneurship Working Paper, (Fuqua School of Business, Duke University) 2003. Harvard Business School's Jane Wei-Skillern and Duke-based colleague Beth Battle Anderson discuss their analysis of some 300 social enterprises.

[Pathways to Social Impact: Strategies for Scaling Out Successful Social Innovations](#) By Gregory Dees, Beth Anderson, and Jane Wei-Skillern - Center for the Advancement of Social Entrepreneurship (Fuqua School of Business, Duke University). Discusses a conceptual framework to systematically identify and assess scaling options based on historical success stories and interviews.

Approaches to Scaling Social Impact

Organizations face options about what to scale and how to scale their impact. The spectrum of goals and strategies for creating and scaling social impact ranges from impact through direct service to impact through indirect influence. By selecting combinations of goals and strategies from this "tool box," organizations can craft a strategy for scaling social impact.



Source: [Approaches to Social Impact](#), John Kalafatas, Duke/Fuqua School of Business ~ Center for the Advancement of Social Entrepreneurship, chart reinterpreted by Janet Giampietro.

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GO AND FIND OUT

The bottom line: Learn all you can before you decide whether you want to scale your organization. How you learn is up to you and depends on your learning style, your budget, and your schedule. Here are some ideas:

- Talk to peers and professional trusted advisers.
- Network outside your traditional circle for a fresh perspective.
- Read publications in print and online. Not just nonprofit trades, but the Harvard Business Review.
- Set up Google alerts on key words that will bring you new information as soon as it's available.
- Read management and leadership books.
- Attend conferences focused on nonprofits, such as the Social Impact Exchange Symposium.
- Sign up for executive training courses.

NEW PARTNERS, NEW POSSIBILITIES

Nonprofits and funders must collaborate to leverage scarce resources, both financial resources and human resources.

Collaboration requires:

- shared values;
- elimination of duplicate efforts;
- the right mindset;
- the ability to play well with others, according to Steve Goldberg who has been working on the collaborative effort to revise [Charity Navigator's](#) rating system.

Some of the skills he mentioned may be acquired talents.

All of them require that potential partners – other nonprofits, funders, donors, service recipients, and investors – also acquire collaborative skills. And therein lies the seismic shift: [Nonprofits must get out of their comfort zones](#), move away from their traditional partners. Their new partners will have different goals and different cultures.

It's called "getting out of the silo," according to David Gergen, Senior Political Analyst at CNN, Editor-at-Large for U.S. News & World Report, and Professor of Public Service at Harvard University's Kennedy School of Government.

Money and an engaged, well-meaning nonprofit aren't enough to solve social problems. Also needed are the ideas and skills of professionals:

- doctors and teachers;
- government agencies;
- community leaders;
- parents.

Nonprofits and the foundations who fund them must go outside their own walls to find partners, [new ideas, and the tools to implement them](#).

Collaboration is not just about funders and nonprofit leaders sitting around a table and exchanging ideas.

- It's about working with the cultures and the people who need services.
- It's about [letting ideas come from the bottom](#) and honoring that experiential and cultural wisdom.
- It's about accessing ideas from people we've never seen through crowdsourcing and open-source technology.

- It's about moving from no-commitment cooperation, such as event collaboration, to full integration where control moves from one entity to another.

The words used at the 2010 SIEEx Conference by Judith Rodin, president of the [Rockefeller Foundation](#), tantalize one with the potential that "to collaborate" now holds:

- Action-oriented: [The Social Innovation Fund](#) provides funding to intermediary grantmakers committed to data collection and continuous improvement.
- Unprecedented cooperation: new kinds of partners – private investors – as well as new ways of working – online, across cultures, constant collaboration and updating.
- Positive deviance: The behaviors that allow outliers to succeed are identified and others are encouraged to adopt these behaviors.
- Profound transition: Every aspect of the social sector is changed, from development of solutions, to financing, to delivery.

As a taste of how it might work, as a chance to really get involved, investors were given the opportunity at the Social Impact Exchange conference's Investment Fair to take the first steps toward collaborative investment.

But others have already dived into the deep end.

The [Edna McConnell Clark Foundation](#) has started making larger grants and partnering with other funders to raise the entire amount of money nonprofits needed, akin to the way venture capitalists fund a startup. As Nancy Roob, president of the foundation, said, EMCF provided the capital needed to do the job, just as is done in the for-profit business model.

The Edna McConnell Clark Foundation has provided [documentation](#) of its efforts at collaborative funding.

After raising the money, the foundation worked closely with 19 co-investors and the grantees. The process was very relationship-driven, with co-investor meetings to insure accountability and transparency. The investors took the long view; their work was data-driven and collaborative.

"Nonprofits and foundations have to seize the moment and move from a disorganized, haphazard movement to a community of practitioners and funders," said Nancy Roob, president of the Edna McConnell Clark Foundation.
"Philanthropists must step in earlier to build capacity and facilitate gathering evidence of impact. Focus on success, partner with government, and move forward."

REACH OUT!

The need to get out of the silo is well documented in the [Stanford Social Innovation Review](#). And [Grantmakers for Effective Organizations](#) has a wealth of resources to encourage and guide broader participation. The title on their website that makes the point best: Do Nothing About Me Without Me. It's embarrassing to realize how often we forget to ask people what they need before we give them something.

WHAT YOU NEED IN COLLABORATION

According to the Edna McConnell Clark Foundation, collaboration in philanthropy requires:

- evidence-based organizations;
- partnering organizations willing to experiment;
- very large sums of money for longer-term projects.

INPUTS, OUTPUTS, IMPACTS: WHAT MAKES A NONPROFIT "GOOD?"

Large-scale, long-term funding requires evaluating programs in a business-like way that gives coalitions of investors confidence in the effectiveness of the nonprofit and its transparency.

Some progress has been made in developing evaluation standards. The Rockefeller Foundation has collaborated on several evaluation tools that will clear the way for investor-funded, impact-driven social services, according to Judith Rodin, foundation president.

Still missing is the piece to connect impact investors with each other and with the social entrepreneurs who can best use the money.

Measuring effects isn't easy. It's not just about quantities and numbers; it's about quality and impact. You will get what you measure, so measure impact (how people's lives are changed) not output (how many meals served, how many children in the program). That is, did the school lunch program improve student performance? To measure impact, goals must specify desired impact and new tools must be developed that can measure achievement.

Such measured impact is a critical element of the government's approach, said Paul Carttar, director of the Social Innovation Fund. Organizations must be very specific about how the change they advocate will make life better for those in need.

A dash of cold water from Gordon Berlin, president of [MDRC](#): Change happens whether programs are in place or not. Children mature and start studying even without an after-school program; economic or cultural characteristics may change measured outcomes. "Evidence" means evidence that the program itself made a difference.

Comparing the success of one program to that of another is also full of pitfalls. Suppose, as Berlin suggested, that you are choosing between two job-placement programs. One boasts that 80 percent of its graduates get a job compared to only 40 percent of the second program's graduates. Sounds like an easy choice. But it makes a difference in evaluating impact if students in the first program were all previously employed high school graduates and those in the second were high school dropouts with no work experience.

Now which do you think is the better program?

WHO KNOWS?

No longer is it enough to hear anecdotes from executive directors or look at spreadsheets. Now funders want evidence from the front lines – staff and clients – both their observations about impact and their ideas for improvements.

Implicit in all this assessment and re-assessment is flexibility. If you measure, then you may tweak and measure again. It's an acknowledgement that even a good program can be improved.

WHO PAYS?

Evaluating program quality costs money, a lot of money. If funders want evidence, they must include funding for evaluation in their grants, funding for measurement, program tweaks and re-measuring. Investors must accept this cost as an operating expense rather than "overhead," which implies uselessness. If they don't, they are both under-capitalizing the effort and taking money away from the program itself.

Nonprofits are notoriously under-resourced, Berlin said. Funders must be willing to pay for building the organizational capacity of nonprofits, such as management information and internal control systems, and the administrative staff to support the program staff.

CHANGING MINDSETS

*Another mindset that has to go is the fear of failure. Several speakers at the conference issued this challenge. Dan Heath, author of *Switch: How to Change Things When Change Is Hard*, noted that everything is messy in the middle and that change is a sloppy process.*

Venture capitalists invest in a portfolio of companies because they know that, even with due diligence, some companies will fail. Philanthropists and funders must be willing to donate and fail, said Melissa Berman of [Rockefeller Philanthropy Advisors](#).

Or at least donate, evaluate, refine, and re-fund.

IMPACT EVALUATION TOOLS

- [GIIN](#), a forum for identifying and solving systemic barriers that hinder the industry's efficiency;
- [IRIS](#), for measuring and communicating social impact;
- [GIIRS](#), to provide objective and credible third-party ratings of the social and environmental impact of investments.

QUESTIONS FUNDERS SHOULD ASK

Gordon Berlin admonished funders to focus on solutions, not on problems.

- What difference did the program itself make?
- How did it accomplish that?
- Why did it succeed/fail?
- What is the return on investment?

EVIDENCE IS FOR IMPROVING AND STRENGTHENING

When making investments, understand that the first model may not work that well. Evaluation reveals what is not working and, hopefully, why it isn't working, so you can make changes and make it better.

WHAT COUNTS AS EVIDENCE

Risa Lavizzo-Mourey, president and CEO of the [Robert Wood Johnson Foundation](#), laid out some evaluation basics:

- Data need to be clear and convincing.
- The need/problem solved should be obvious.
- The solution must be doable.

Two good resources for this discussion, with the same title are [Evidence and Evaluation: Getting from Promise to Proof](#) or [Evidence and Evaluation: Getting From Proof to Promise](#).

FROM VISION TO REALITY: THE PROCESS

Funders will scrutinize nonprofits with a business-like eye when deciding which nonprofits to scale, a scrutiny that will seek:

- evidence of impact and real problems solved;
- sustainability;
- market factors including competitors/alternative solutions;
- potential client base.

You need to have a goal in mind. And be precise! This is your future you're talking about.

Nonprofits will have to [lay the groundwork in advance](#), as Judy Katz, of [On Target Strategies](#), outlined:

- by choosing board members with the skill to handle growth;
- brainstorming new ways of delivering impact (not just service!);
- having clear, transparent financial reports;
- laying the groundwork for partnerships.

A prime question to answer, one raised succinctly by [Adin Miller](#), is that of leadership. Who can lead these large, financially complex, nonprofits? To attract the talent required, will nonprofits have to pay salaries competitive with those in the for-profit sector? If so, how will investors, donors, staff, and funders react? Will using money for competitive executive salaries be seen as a betrayal of mission?

That these questions were raised is heartening. The conference is the very forum in which to address and resolve such problems.

Yves Salama, CEO of [Charity Matrix](#), noted in his comments [Financing Options Needed for Nonprofit Scaling](#) that projects are scalable only if they have the people, the processes, proof of effectiveness, and the money to grow. But even that array of resources may not suffice, he said.

[Context matters, too.](#) How does the nonprofit fill needs in new communities? What cultural issues – within the organization and within the community – might affect the success of the expanded project? Are needed partners – government, community, other nonprofits – available and willing?

Nonprofits will have to look at their client-base in much the same way that a business looks at its target market:

- What problems do clients have that our programs can solve?
- What do we need to know about that market in order to appeal to new clients?
- Who can give us information about that market?

And, most peculiar to the nonprofit frame of mind, are we the only ones or the best ones for the job?

Technology is perhaps the greatest catalyst for change in process, as well as in reach.

"We now have the opportunity to deploy new tools, techniques, and technologies to address pressing global challenges," said Judith Rodin, president of the [Rockefeller Foundation](#). "There is a sea-change in where knowledge resides. In the 21st century, big ideas often emerge in small corners ... We've learned that limited resources are most effectively utilized in finding and funding innovation where it occurs in local contexts."

What does this mean to process? Well, the most obvious is that ideas come from many levels, many locales, not just from management, not just from funders or investors. Brainstorming sessions won't be confined to the boardroom. Executives to janitors, program managers to clients: the experience, observations, and ideas of every level are now considered critical to planning growth.

And the most important input will come from those who will receive the service. Are there social or cultural structures within which you must work? Who are the real leaders of the community and how do they expect to be treated? Are there local models of success that you can piggyback on?

Rodin suggests that, in the future, funders might network groups of grantees to bring out the best ideas from different areas and, perhaps, plan a scalable solution that addresses cultural and regional differences.

"User-driven" is the other key process change, she noted. User-driven innovations are more readily adopted. A form of this is "positive deviance," which identifies behaviors that enable outliers to succeed and then encourages others in the community to adopt those behaviors.

Positive deviance may well be the way the social sector will deal with Salama's concern about context.

As Rodin said, the new paradigm is: "If you want an answer, ask everyone."

THINKING LIKE A BUSINESS

Such a business-like approach to growth is new to nonprofits, as [one of the SIEx10 competition entrants](#) discovered, to its benefit. What nonprofits learn about themselves and about their sector helps them define missions, refine goals, and measure impact even if they don't scale.

Public/Private Ventures, one of the conference sponsors, offers a handbook on replicating, [Laying a Solid Foundation, Strategies for Effective Program Replication](#), that emphasizes the need for planning and evaluation before undertaking scaling.

LOOK AT YOURSELF!

To know if your nonprofit should grow or replicate, ask yourself:

- If I get to this next level and scale, how will things be different?
- Will that difference be good for the people we serve?
- Will it be the best option for those we hope to serve?
- Will it be the best use of our staff, institutional knowledge, and skills?

WHERE'S THE MONEY?

To deal with unprecedented problems, the nonprofit sector needs unprecedented amounts of money.

This requires pooling money from the government, the private sector, and the public sector. [It may require taking out loans and using debt instruments](#) as well as attracting grants and donations.

It will require combinations of investors, donations, and debt.

New partners, new demands.

Nonprofits spend too much money and too much executive staff time raising money, in part because most funding is provided for one to three years. Every three years, the process begins again, with new applications and more meetings.

Nonprofits need a financial system akin to the for-profit capital market and a way to reach investors, high-end donors, and long-term financing. This was the message of the keynote speaker, [Robert Steel](#), chairman of the [Aspen Institute](#). And he clearly set the tone for the conference; his theme was repeated in many ways during the course of the two days.

The rules of funding in the nonprofit sector are changing. We're moving away from the emphasis on minimizing "overhead" to a more realistic view that nonprofits, like businesses, have operating expenses, such as electric bills, support staff, software upgrades, and gathering impact data. All of these are necessary if the organization is to operate efficiently.

But the rules are changing in even more profound ways. Funders are recognizing that local, national, and global social problems are so large that traditional nonprofit funding sources – private donations, foundations, government support – are not enough. They simply don't have the resources needed to do the job.

Private investment can, as Judith Rodin, president of the [Rockefeller Foundation](#), noted, dramatically expand the good work that grant or public dollars fund. Some mega-donors, [such as Bill Gates and Warren Buffet](#), are taking the lead in eliciting philanthropy from the very wealthy.

Other foundations, such as Rockefeller, are taking a different approach by creating private/public partnerships in revolutionary ways.

Using private investors to fund projects in the social sector is not unheard of. Low-income housing has been built by for-profits, with great success both financially and socially. Fair-trade food products offer many examples of for-profit projects that benefit both investors and communities.

Other models are [already underway](#), such as [Impact Investment Exchange Asia](#), under the leadership of Durreen Shahnaz, who looks forward to the growth of the impact investment industry being steeper than the growth of microfinance and socially responsible investment. In March 2011 she launched the first regulated trading platform for securities issued by sustainable for-profit and nonprofit social enterprises in Asia.

Technology creates new funding options. Many philanthropists at the lower end of the giving can join forces around integrated solutions that none could support alone. [Kiva](#) has done that for the individual donor. It can be done for the institutional donors as well.

A capital marketplace will emerge that can consistently finance scaling of successful social projects, or so Alex Rossides, president and co-founder of [Growth Philanthropy Network](#), hopes. Problems are so large, he said, that no one foundation can solve them alone. Aggregated funding is needed. The marketplace must move very large amounts of money to well-tested programs; that calls for a financial exchange of some kind.

The idea of a Social Impact Stock Exchange was addressed by Sean Stannard-Stockton, CEO of Tactical Philanthropy Advisors, in a [cautionary pre-conference blog](#). Stannard-Stockton has reservations about how such an exchange will work, and [commented](#) on the significant difference between the NY Stock Exchange, which is a secondary market where money is exchanged between third parties without any direct impact on the company, and the planned Social Impact market where money will go directly to the company.

Two other questions emerged in discussions during the conference, one raised by [John Brothers](#) principal of [Cuidiu Consulting](#), who asked what will happen to good, strong nonprofits that are not ready to scale? Will the movement of money to scalable entities impoverish these organizations?

A similar concern was raised by [Adin Miller](#), of [Adin Miller Consulting](#), who pointed out that the focus on scaling supports shifting a lot of money to long-term funding rather than spreading money among a number of shorter-term grants. Will that take money away from other nonprofits or is the money for scaling "new money?"

Working groups fostered and enlarged by the SIEx10 conference were set up to work through these and other potential negatives, which are not roadblocks that prevent moving forward but merely challenges that can be overcome as the sector moves forward. Questions generate tweaks, which generate improved products.

The participants in this conference and in the working groups that evolved from this conference must:

- Build upon and reconcile various models.
- Encourage innovators, such as the Impact Investment Exchange, while addressing the questions raised by Stannard-Stockton.
- Put in place standards of transparency.
- Establish a range of financing options, from what Rodin called "financial-first" investments that optimize financial return with some social impact as well, to "impact first" investments that optimize social impact with some financial return.
- Develop ways to evaluate the social impact of investment as well as the financial return.
- Ensure that new financing models do not suck funding away from smaller, effective but non-scalable nonprofits.

Rodin deemed development of this social impact financial market the "new frontier for experimentation."

The challenge is huge: Defining and negotiating a whole spectrum of financing options that entice and satisfy both the money-motivated and those motivated by a higher purpose. The Social Impact Exchange working groups had their work cut out for them. It will be exciting to hear what they've come up with.

But the Social Impact Exchange will not be the rule-maker, the standard-setter. As Rossides emphasized after the SIEx10 conference, the Exchange is just that: A place for ideas and experience to be shared by all interested parties who will, by collaborating, create a new era of nonprofit funding.

A CAUTIONARY TALE

Micro-finance has a for-profit underpinning with a social purpose, but it has brought the 200-pound gorilla into the room. As recent news stories pointed out, the success of micro-finance as a social enterprise has attracted investors who view it as a source of huge returns and so charge usurious interest on micro-loans. Collection techniques have become abusive, allegedly leading to a rash of suicides in India. Evaluation of borrowers has become lax, leading to loans for TVs rather than business development or loans to pay off other loans.

Not the intent of those who developed the concept but a clear example of the fine line between profit as part of the social purpose and profit dominating at the expense of social purpose. Financing innovations must include transparency, and a way to keep the vultures at bay. It is also an example of [learning from one's mistakes](#) as the industry's self-examination has yielded many lessons.

INNOVATIVE FUNDING IN THE UK

In the UK, "social impact bonds" are raising capital from private investors for nonprofit work that prevents social problems. Return on the investment will come from the money saved because the government doesn't have to fund the remediation. For example, some of the money saved because the National Health System doesn't have to deal with rising levels of diabetes will be paid to investors in a diabetes-prevention program.

ANY QUESTIONS?

[*Patient Capital: The Next Step Forward?*](#)

[*Nonprofits using loans, tax-exempt bonds to fund needed capital projects*](#)

[*Money to Grow On*](#)

[*Out of Philanthropy's Funding Maze, Roadmap #1: Strategic Co-Funding*](#)

[*The Equity Capital Gap*](#)

[*A Revolution in Nonprofit Finance: An Interview with Clara Miller*](#)

PRIMING THE INVESTMENT PUMP!

A secondary goal the SIEx10 conference achieved was a collaborative flow of funding “deals” through two deal-making opportunities: The Investment Fair and the Business Plan Competition.

THE INVESTMENT FAIR

The goal of the Investment Fair was two-fold. The first goal was to give funders an opportunity to coalesce around worthy nonprofits and, collaboratively, fund their growth. The second was to give funders new to the idea of collaboration the opportunity to take a first, safe step that does not commit them to a coalition but allows them to partake of the process.

To that end, seven well-established nonprofits on the cusp of growth presented their business plans to a roomful of funders. Afterward, the funders met to discuss the seven and decide if they would like to get more information about one or more of the candidates or even join a coalition of funders around a specific nonprofit.

“Various funders signed up to learn more about the organizations that presented,” said Alex Rossides, president of [Growth Philanthropy Network](#). “It was a terrific first investment fair. These fairs will take place each year.”

THE BUSINESS PLAN COMPETITION

The Business Plan Competition gave nonprofits the opportunity to think like investors and to develop a business plan that would attract investors. SIEx gave competitors access to resources on growth, group training, and, for the second round, a business-plan coach.

“Donors and funders were engaged,” Rossides said. “I was very impressed by the quality and focus on evidence, and also on the opportunities that these organizations represented to have scaled impact.”

Two organizations won the competition but there's a group of vetted nonprofits out there with plans in hand, waiting for their chance to attract and convince funders: the ["also-rans"](#) in the business competition. Wouldn't it be another example of collaboration if funders took a second look at some of these agencies and worked with them to make them winners as well?

“We absolutely do want to enhance the opportunities going forward for groups of funders to collaborate in exploring the funding of organizations that present at the Investment Fair,” Rossides continued. “Part of why I feel this is important is that the fair is intended to help demonstrate a mechanism and platform for collaborative funding that is open and collective.”

“We would have loved to have a very large number of funders ready to coalesce around each organization,” Rossides said. “And that is something we hope will evolve.”

The Investment Fair generated not only potential funders but also questions. As [Adin Miller asked](#), “Are the seven organizations profiled for the Investment Fair truly representative of organizations that will have

the most significant impact if they scale up? Where are the organizations that could truly disrupt their fields through innovative approaches and how do we get them the funding they require?"

AND THE WINNERS WERE ...

The SIEEx10 Business Plan Competition winners – [Rubicon Emerge](#) and [Parent-Child Home Program](#) – were selected from among 200 applicants. They address very different yet equally important social problems. On the road to recognition, the business plans of both were refined and improved with the help of volunteer coaches, themselves part of the collaborative effort that made the SIEEx10 conference possible.

WHAT'S NEXT?

The 2011 Social Impact Exchange Conference on Scaling will have much to discuss, if only in terms of follow-up to the first conference which resulted in:

- More than 300 people signing up for working groups.
- Three new working groups, bringing the total to seven.
- Funders coming together at the investment fair to listen as seven ready-to-scale nonprofits presented their growth plans. No commitments when the conference ended, but who knows what a year has brought.

Those groups have spent a year pounding out solutions to issues of scaling in different sectors and from different viewpoints. Their findings, whether solutions or new challenges, will be important additions to the information bank about how to scale nonprofits.

Several dozen funders have met with the seven nonprofits who presented their growth plans at the Investment Fair. Their efforts may result in collaborative funding for the nonprofits. Will it work? Will funders have taken advantage of this opportunity to try a new way of doing things? What problems have arisen and how have they been solved?

Meanwhile, a new crop of hopeful nonprofits will present their own growth plans in the Business Plan Competition and for the Scaling in Action opportunity during the 2011 conference.

"We absolutely do want to enhance the opportunities going forward for groups of funders to collaborate in exploring the funding of organizations that present at the Investment Fair," said Alex Rossides, president and co-founder of [Growth Philanthropy Network](#).

Perhaps consultants, coaches, and funders have taken a second look at some of the other competitors in the Business Plan Competition, if not with the goal of funding them to scale, at least with the goal of helping them improve their services and their efficiency.

That's action.

That's collaboration.

That's the future: It's started.

Be part of it.

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