Scaling What Works:
Implications for Philanthropists, Policymakers, and Nonprofit Leaders

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Included in the $787 billion stimulus package and in the $3.5 trillion budget that Congress passed on April 2 are billions of dollars intended to fulfill President Obama's commitment to advance government that "works" and "expand successful programs to scale." The risk is that five years from now we look back and see that billions were spent without clear results. Consider the challenge: National, state and local governments not only have to identify promising programs and help them expand to scale – but they need to do it fast. Such urgency leaves little room, but lots of opportunities, for errors we can ill afford. To avoid these missteps, the public sector and the philanthropic and nonprofit sector must invent new ways of working together in close partnership.

For the past decade, the Edna McConnell Clark Foundation and the Bridgespan Group have provided financing and management consulting to nonprofits striving to expand programs with proven impact. If there's one thing we've learned, it's that scale can be achieved – but it does not come cheaply or easily. Established nonprofits with track records of results, such as Big Brothers Big Sisters, and newer organizations like KIPP (Knowledge is Power Program public schools) present opportunities for government to make investments that could make a real difference in the lives of people across the country. But we will not be able to realize their promise unless we understand and avoid the potential pitfalls of taking nonprofit organizations to scale.

Real-World Insights into Taking Nonprofits to Scale

Experience often is the best teacher. Our collective experience has given us a number of insights about the challenges of bringing nonprofit programs to scale:

- **Distinguishing promising programs from proven ones is complicated, costly and essential.** Many social service organizations have little if any evidence of their programs' efficacy. This doesn't mean that they aren't producing results. But it does mean we cannot say for certain that they do. And a compelling anecdote about impact is not the same as rigorous data and analysis that provide evidence of that impact. This distinction is critical when government contemplates investing millions of dollars in a program.

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The Obama administration made just such a distinction when it proposed in its budget a nation-wide program pioneered by a Clark Foundation grantee, Nurse-Family Partnership (NFP). Thirty years of evidence and three randomized controlled trials have proven that NFP's program, which matches low-income, first-time pregnant women with registered nurses who visit their homes until their child's second birthday, can break the cycle of poverty by helping these young mothers acquire the self-confidence and parenting skills to prepare their children to become healthy, productive members of society.

Mothers in the program are healthier and less likely to depend on public assistance than mothers not in the program, while their children suffer fewer instances of abuse and neglect and run into fewer problems with the criminal justice system. A 2005 RAND Corporation analysis calculated that every dollar invested in providing the program to those families at greatest risk returns $5.70, for a net benefit to society of more than $34,000 per family. Most of those benefits consist of reduced government expenditures on health care, educational and social services, and criminal justice.

The Obama administration can move forward with confidence because NFP's leadership and its philanthropic funders have consistently been committed to proving the program works. Unfortunately, there are not nearly enough such evidence-focused investors. And, for the most part, neither government nor philanthropy is immune to favoritism in choosing the organizations and programs it funds. Both sectors, as well as American taxpayers, could benefit from a healthier respect for proven results.

- **Scaling requires rethinking traditional patterns of funding.** If we want to make a pervasive impact on our nation's most difficult problems, we are talking about supporting fewer organizations with larger sums of money. Concentrating resources on a few organizations is rarely how money flows today. Both philanthropy and government tend to spread their money around rather than target the handful of programs that have been proven effective. But given the severity and the urgency of the problems confronting us, we need to ensure that funding is going to those organizations that have real evidence they deliver on their promise.

  Equally pernicious is the habit of providing nonprofits with less funding – often 20 to 30 percent less – than they need to achieve results. A 2006 study by the Center for Effective Philanthropy found that most grants made by 163 large U.S. foundations were restricted, short-term and small, with a median size of merely $50,000. That's hardly enough money to cover the costs of operation, much less expansion. Government also tends to be penny-wise but pound-foolish, seldom paying providers the full cost of a service. One Bridgespan client found that complying with the government's reporting requirements consumed 31 percent of its entire AmeriCorps grant, which allowed only 13 percent for such administrative costs.

- **Scaling a nonprofit's programs without investing in its capacity is a recipe for failure.** Building organizational and human capacity – putting in place the strategy, systems and, above all else, the right people in the right jobs to convert money into results – is as important a factor in bringing a program successfully to scale as the money itself. Yet many funders view investments that would be virtually automatic for a growing for-profit company—such as hiring talented senior managers or acquiring an information system to capture performance data—as unnecessary overhead. If the same reasoning were applied to for-profit enterprises, airlines wouldn't invest in maintenance and companies everywhere wouldn't bother to attract, retain and develop a cadre of leaders and managers. The effect of this bias is an organizational form of chronic fatigue syndrome that burns out nonprofit leaders and compromises their ability to address social problems.

- **Ongoing research, evaluation and performance measurement are imperative as an organization scales.** Put simply, there is no other way to ensure that even a well-funded program with proven outcomes will be expanded and sustained. A good idea absent its execution is in fact *not* a good idea at all. For example, when NFP's founder, Dr. David Olds, was pressured to use less expensive, non-degreed paraprofessionals as home visitors, he included a group of families served by such paraprofessionals in his third research trial, in addition to a group served by nurses and a control group. When the results demonstrated extremely limited outcomes from the paraprofessionals, he limited implementation of NFP to nurses.

A common mantra at the moment is not to let the perfect be the enemy of the good. That is fine for many things. But care must be taken in the realm of scaling what works: Small changes in the model, inadequate funding to execute it, or lack of rigor in distinguishing what is essential can turn a proven program into an expensive white elephant. If we want to save people's lives—and taxpayers' dollars—we cannot afford simply to promote pet projects. We must focus on obtaining results.

A New Partnership between Government and Philanthropy

These insights contain important lessons for philanthropists and government officials who want to bring proven programs to scale. Taken together, they also help us begin to see what a new kind of partnership between the two sectors, one that would hold both to a higher level of accountability, might look like.

- **Philanthropy and government share responsibility for identifying programs that work and ensuring they are implemented with fidelity.** Formal evaluation of programmatic outcomes is expensive and unlikely to happen without a committed funder. Philanthropy can and should place a higher priority on funding research and evaluation that marshal evidence of a program's success. Currently, only a few foundations support such work. Going forward, much more is needed: not only to establish whether a given program works, but also to inform our collective knowledge of how fundamental social problems can be solved.

For its part, government can set rigorous standards for proven results and make them prerequisites for public funding. If government, drawing on the work of organizations like the Brookings Institution and the Coalition for Evidenced-Based Policy, were to set expectations and raise the bar for nonprofits that compete for government funding, it would influence the flow of philanthropic funding to all social service organizations and contribute to better outcomes.

Once a program is up and running, government and philanthropy can ensure and improve its quality by working together to provide continuing research, evaluation and performance measurement. Monitoring and quality control should be included in the cost of bringing a promising program to scale. The not-for-profit sector can assume the responsibility for results only if it comes with the necessary financial support; otherwise, all we have is a new unfunded mandate – and a recipe for disappointment when the results do not materialize. This does not mean that these programs need to be micro-managed by complex regulatory processes; indeed, there probably would be no faster way to undermine the results. Rather, nonprofit organizations should be held accountable for outcomes, provided with the resources needed to deliver them, and if results are not produced, then the support should stop.

- **Government and philanthropy must clarify their different and complementary roles in funding nonprofits.** Taking proven programs to scale entails two kinds of costs: the one-time expense of building capacity for growth, and the recurring operating expenses required to sustain ongoing programs. Broadly speaking, the former is the province of philanthropy, while the latter is where government funding needs to come into play.

  Philanthropy loves start-ups. This, after all, is one of its traditional and invaluable missions: to take risks that neither the for-profit nor public sector can afford and to provide seed money—venture capital, if you will—for promising ideas, many of which will inevitably fail. Yet once a program shows signs of success, foundations often move on to the next new thing while the not-so-new program languishes for lack of a second round of venture capital. Philanthropy needs to stick around longer and strengthen the infrastructure of successful organizations, thereby laying the groundwork for public investment.

  Foundations currently do provide some of the funding effective nonprofits need to grow, but they could do more, even in this era of diminished foundation investment portfolios. By pooling resources and channeling them into proven programs, foundations can have a much greater impact. The Clark Foundation, for instance, has joined with some of the nation's largest foundations to make coordinated, collaborative, multimillion-dollar investments in NFP and two other organizations – thereby giving them the up-front capital they need to undertake significant growth. By enabling these organizations to expand to the point where public money can kick in and propel them even further, we hope to ally and align private and public funders in directing scarce dollars to programs of demonstrated efficacy.

Although philanthropy can play a greater role in helping effective nonprofits grow, in many instances only government can sustain that growth. In 2007, the Bridgespan Group analyzed 144 nonprofits (other than hospitals and colleges) founded since 1970 that had grown to at least $50 million in annual revenue. Contradicting the conventional wisdom that funding should be as diversified as possible, most of these nonprofits developed funding from one concentrated source, and some 40 percent of them were supported primarily by public money. Once again, philanthropy and government have an opportunity to leverage each other's investments to extend the reach of programs that work. Government can make a big bet on NFP today, for example, because philanthropy, through the initial leadership of the Robert Wood Johnson Foundation, put its chips on the organization when it was a small research program in Rochester, NY.

The Time is Now

The good news is that a small number of organizations like NFP exist that have evidence of powerful results and that are ready to be scaled reasonably quickly. It will not be easy, and surely not all efforts will succeed, but these organizations have the staff, systems and strategies that instill confidence that the models can produce results at significant scale.

So what is missing now? The funding – structured in the right way – that will enable these programs to reach those in need. Leveraging what private philanthropy has nurtured, government can play a critical role in enabling organizations to achieve their full potential impact. By working together, government and philanthropy can achieve the results that have been so elusive. There is no more powerful way to address many of society's most important challenges than to harness what we now know works and make sure those solutions reach those who need them.