

How Is Investing in “What Works” Working?

Early Feedback from Nonprofits Participating
in the Social Innovation Fund

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On June 30, 2009, nonprofit innovators, philanthropists, mayors, members of congress, and executive branch officials gathered in the East Room of the White House to hear President Obama introduce his Administration’s new approach to supporting people and communities in need. “Instead of wasting taxpayer money on programs that are obsolete or ineffective,” the president declared, “government should be seeking out creative, results-oriented programs like the ones here today and helping them replicate their efforts across America.”

President Obama described a new initiative that has since come to be known as the Social Innovation Fund (SIF), administered by the Corporation for National and Community Service: “We’re going to use this fund to find the most promising nonprofits in America. We’ll examine their data and rigorously evaluate their outcomes. We’ll invest in those with the best results that are most likely to provide a good return on our taxpayer dollars. And we’ll require that they get matching investments from the private sector—from businesses and foundations and philanthropists—to make those taxpayer dollars go even further.”

He went on to promise that, “We’re going to take this new approach, this new way of doing business, government-wide.” He described similar initiatives already underway in the Departments of Education and Health and Human Services. The president finished by emphasizing the bipartisan appeal of these initiatives, observing that, “there’s nothing Democratic or Republican about just doing what works.”¹

President Obama’s remarks reflected and fanned the expectations of a broader movement that entrepreneurial nonprofit, philanthropic, and government leaders have been seeking to advance in recent years. This movement believes that significant social progress can be achieved by identifying promising solutions, evaluating the real difference they are making, and—when warranted by their potential for impact—scaling them up to serve more people and communities.

¹ Office of The White House Press Secretary, “Remarks by the President on Community Solutions Agenda,” June 30, 2009.

Three years later, what progress has this movement made? Are government and philanthropic funds shifting to “what works”? Is this shift being helped or hindered by the fiscal pressures bearing down on all levels of government? What changes are needed to sustain and further accelerate this shift—not only to help people and communities in dire need of more effective social solutions, but also to get more impact from increasingly scarce resources?

The Bridgespan Group has been wrestling with these questions through our work as advisers to leaders of many high-performing nonprofits participating in these federal initiatives, to philanthropists who are helping to catalyze their progress, and to government leaders and advocates seeking to develop, sustain, and expand these new approaches. Over the past few months, we have sought in particular to take stock from the standpoint of the frontline nonprofit service providers using this government and philanthropic funding to advance their missions. From their collective vantage points across the country, how is the “what works” movement working?

This is obviously a big question that warrants considerable examination over time. As an initial step, we decided to zero in on the nonprofits supported by the SIF that headlined President Obama’s White House remarks in 2009. Of all the federal initiatives to support “what works,” the SIF can be seen as a bellwether given it is perhaps the most visible of these funds and certainly is the one most focused on testing the new approach rather than advancing outcomes in a specific issue area. While the various innovation funds share many features, the SIF is distinguished by two characteristics: first, a two-step grant process in which the SIF directly awards money to existing grantmaking “intermediaries,” who then select and fund the promising nonprofits; and, second, relatively high match requirements that obligate grant recipients at both levels to raise at least one dollar for each dollar they receive.

In the first three years of the program, the SIF has funded 20 intermediaries, ranging from national organizations like the Edna McConnell Clark Foundation and New Profit Inc., to state or regional ones, such as the Foundation for a Healthy Kentucky and Venture Philanthropy Partners. These intermediaries—“grantees” in SIF parlance—have in turn identified and invested in 197 nonprofits, or “subgrantees,” working in 34 states and the District of Columbia. These subgrantee programs will be thoroughly evaluated to find out what has worked and what solutions merit further scaling. To date, \$137.5 million in federal SIF grants has generated \$350 million in private sector match commitments.²

2 Corporation for National and Community Service, *Social Innovation Fund Grantee Overview*, October 2012.

We began our initial assessment with a dozen in-depth interviews with leaders of SIF-funded nonprofits. In August 2012, we followed up with a web-based survey of the leaders of all 197 nonprofit subgrantees participating in the program. We heard back from 88 respondents, 45 percent of the total population. This field work was by design exploratory and not a scientific sampling. That said, given the range of organizations we heard from and the overall response rate, we believe that the feedback we collected is broadly representative and can illuminate potential paths forward for nonprofits, philanthropists, government leaders, and advocates seeking to advance “what works.”³

In a nutshell, what we found is that:

- Evidence of effectiveness is mattering more—at least to some funders;
- Philanthropy is picking up the SIF’s signals, but government is not tuned in yet; and
- The success of social innovation will ultimately depend on government transformation.

The remainder of this report takes up these findings and related implications in more detail.

Evidence of effectiveness is mattering more—at least to some funders.

We will start with the good news: A consistent theme in our interviews and survey results is that public and private funders are increasingly attentive to evidence of effectiveness—and high-performing nonprofits are seeing this as an opportunity. Consider these observations from three SIF-funded nonprofits:

- “The Department of Mental Health is now requiring that we capture outcomes measures for every child receiving an evidence-based treatment across a whole host of programs that we provide.”
- “Government is likely to shift funds to more evidence-based models because of a general increased level of scrutiny on where government funds are going. More of the organizations that are receiving money will have to become more evidence-based themselves.”
- “We continue to be convinced that the best way to line up more government funding is to deepen our evidence base. This will increase the irresistibility of

³ While the findings and recommendations presented here are based on our interviews with and survey of leaders of SIF-funded nonprofits, they are also informed by our consulting work with many of the organizations involved over the years, including five SIF grantees, 12 subgrantees, and the White House Office of Social Innovation. In the interest of full disclosure, The Bridgespan Group is a strategic collaborator of the Edna McConnell Clark Foundation in its SIF work and has received funding from the foundation. The views expressed here are those of The Bridgespan Group.

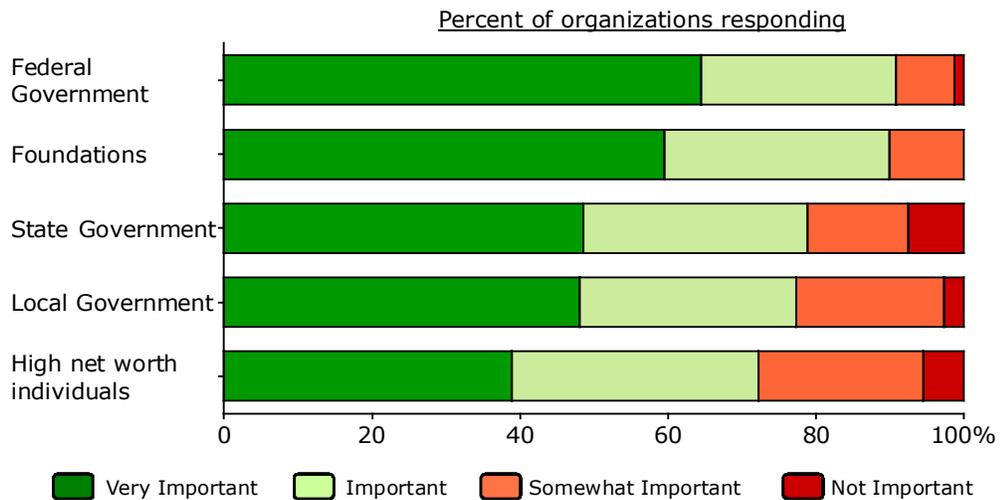
our program. We need to get this in the drinking water. The first way to do this is to strengthen our evidence base.”

Most of the leaders we spoke with offered similar perspectives, as did those who responded to our survey. Among other questions, we asked nonprofit leaders to choose from a selection of answers to this fill-in-the-blank response: “The most important step your organization has taken to secure government funding has been to _____.” The answer, “develop and communicate its strong evidence base,” drew by far the most responses—41 percent of those who answered, twice the rate as the next most frequently cited.⁴

That said, the perception of SIF-funded nonprofit leaders is that evidence of effectiveness is more important to some funders than it is to others, as demonstrated from the survey data in the exhibit below.

How are different funders responding to evidence?

“Please indicate the relative importance of your organization’s evidence base as a factor in securing funding from the following sources:”



n=83, including N/As not included in the percentages above: federal - 7, foundations - 4, state - 17, local - 8, individuals - 11
 Source: Bridgespan survey of Social Innovation Fund subgrantees, August 2012 T&B Revised slides for article 1

⁴ Other top responses included “partner with other nonprofit organizations in applying for funding” (20 percent), “dedicate additional resources to contracting/grant-writing (18 percent) and “engage with government agency officials who make funding decisions” (12 percent).

Why are SIF-funded nonprofits seeing the federal government and foundations as especially focused on the importance of evidence? In part because, by definition, all these nonprofits are working with at least one federal agency—the Corporation for National and Community Service—that is focused on their evidence and outcomes. And their SIF participation also increases the odds that the nonprofits are coming into contact with foundations that are likewise focused on their results.

We suspect that politics explains some of the perceived differences on the importance of evidence at different levels of government. We heard from several leaders that, as you go from the federal down to the state and local level, personal networks and relationships and the favors and obligations that arise within them have more influence. Moreover, at the national level, there is no issue of a provider not being “from here,” but this can be an acute political consideration for state and local officials considering shifting funding from established local players in their constituencies to new organizations seeking to move into them to replicate programs with stronger evidence developed elsewhere.

Finally, given the service needs that have to be addressed by state and local governments and the fiscal constraints they face, these agencies first and foremost need nonprofits that can simply manage the work at scale without budget over-runs or negative headlines. One SIF-funded nonprofit told us that at the city level, “Folks are selected for additional funding because they produce the units of service needed and can serve X number of kids, rather than showing they can produce outcomes for those kids.” Another leader whose organization helps people coming out of the prison system re-enter the workforce remarked that “state agencies are really focused on how many people you can take and the relief it will provide to their parole officers. The demand [for services] is so much bigger than the supply.”

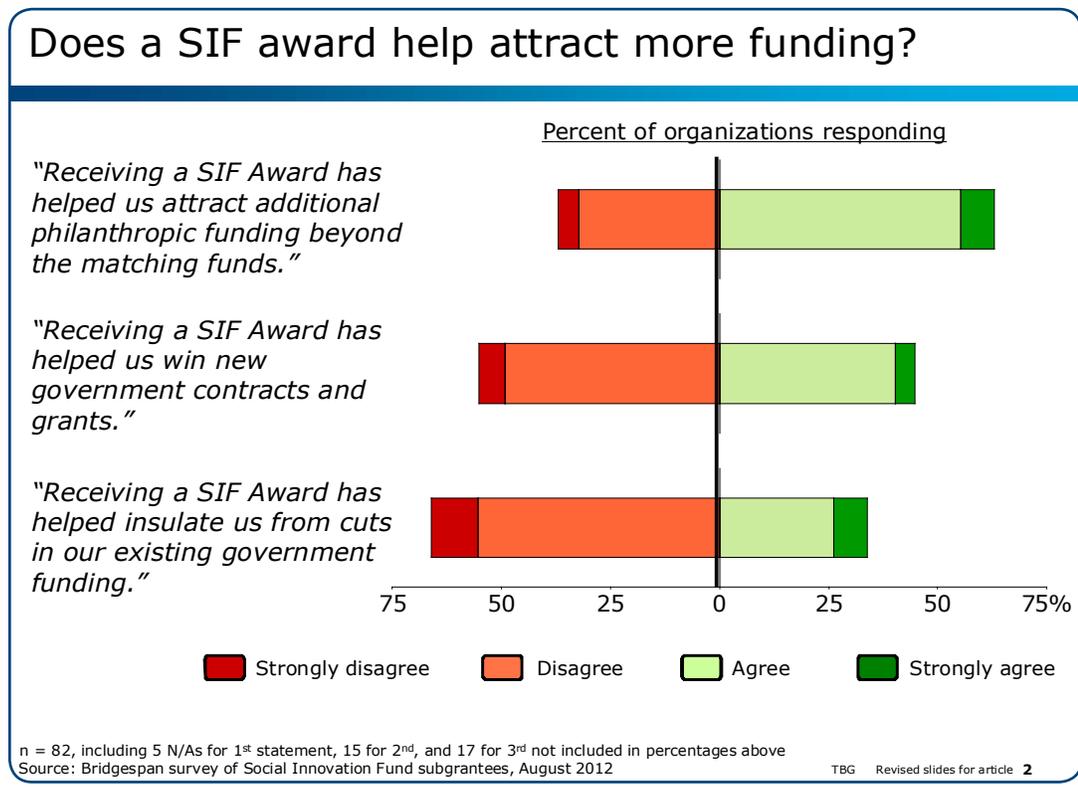
Be that as it may, for the theory of change embodied in the SIF to take hold, state and local government funders will ultimately need to catch up to their federal and philanthropic counterparts on the importance of evidence. As one respondent pointed out, “Current innovation grants have seeded new models and replications, and used lump-sum payments to incentivize changes that are largely state or locally funded.” These one-time grants catalyzed by the federal government need to shift to ongoing funding flows at the state and local level in order to sustain the impact of SIF-funded nonprofits dependent on them.

We also were struck by the subgrantee leaders’ perception that, relative to other funders, high-net-worth individuals place less importance on evidence of effectiveness. Presumably, many of these individuals owe their fortunes to tough-minded, data-driven decisions on trading floors and in corporate boardrooms. There has been considerable criticism of late on the influx of profit-seeking

mindsets into philanthropy and the social sector more broadly. This data would suggest, however, that at least some of these individual donors may need to bring more business-like decision making to their social investing!

Philanthropy is picking up the SIF’s signals, but government is not tuned in yet.

The advocates and government leaders who developed the SIF hoped and presumed that, with this combined federal and philanthropic seal of approval, SIF-funded nonprofits would find it easier to raise money from other funders, accelerating the flow of resources to better programs and the providers delivering them. We tested this proposition in our survey and found the pattern in the exhibit below.



This data suggest that, above and beyond the program’s required matching funds, philanthropy is picking up the signals that the SIF is sending about the effectiveness of these nonprofit subgrantees and their programs. As one nonprofit leader told us: “Evidence is so important with private funders. Like, a 6 out of 5! Being focused on our evidence base is why we are so successful with foundations.”

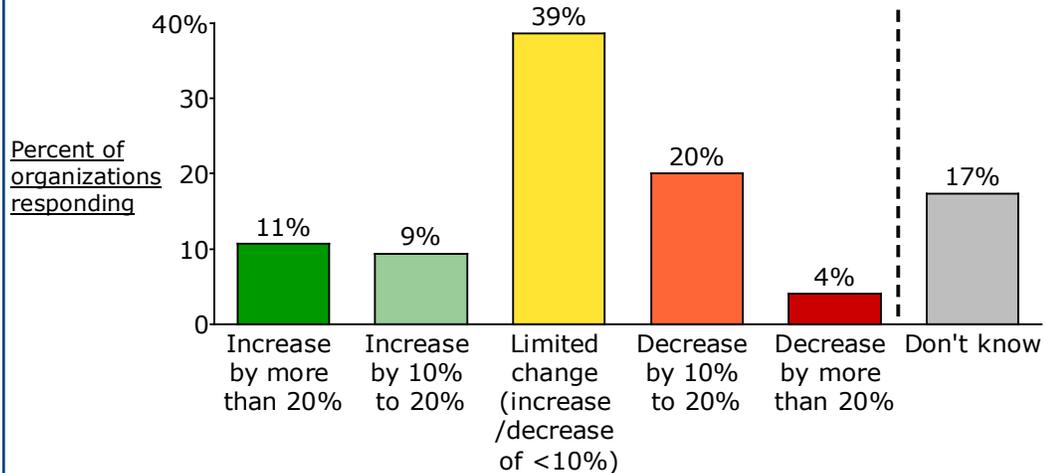
This chart also indicates that many government funders might not yet be as tuned in to the signals that a SIF award is meant to send. One problem here is that of incumbency. Switching a contract or grant from one nonprofit to another, even if it is generating better outcomes, can be hard for public officials. It involves concentrating immediate losses on one organization for the future benefit of the other. Hence the instances in which, as one survey respondent lamented, “Funding does not always follow results—some programs have history, momentum, and minimal results but continue to have a large market share.”

Another leader observed that, “Our stronger evidence base gets us to the table, especially with our summer program. But it only gets us to the table. Once we are there, the decision is still largely talked about in terms of operational constraints like price and union contracts instead of evidence of what works.” This leader went on to note that in situations where government funders have to cope with tighter budgets—an increasingly common occurrence—they don’t typically concentrate their scarcer resources on the more effective providers. Instead, “everybody gets a haircut. All providers are treated equally. It does not make a lot of sense because they are not equal in what they provide and outcomes they have for kids.” Here again it is easier for public officials to give smaller losses to all providers than to impose concentrated losses on a subset of them.

If these patterns end up prevailing, they will significantly constrain the potential of the SIF and other federal innovation efforts. More than 90 percent of the nonprofits we surveyed rely on government funding for a portion of their budget. For 46 percent, government funding accounts for more than half of their total revenues. The theory behind the SIF and the “what works” movement more broadly is that more and more public resources will flow to proven programs and the providers that are delivering them. Yet when we asked the leaders of SIF-funded nonprofits about their expectations for government funding over the next three years, most did not expect to see any significant increase.

What is the outlook for government funding?

"Looking ahead three years, what change (if any) do you expect in your overall government funding relative to the amount in your current budget?"



n=80, including 5 N/As not included in percentages above
Source: Bridgespan survey of Social Innovation Fund subgrantees, August 2012

TBG Revised slides for article 3

To be sure, the outlook could be bleaker given the budget shakeout now underway at all levels of government. For comparison's sake, recently when we posed a similar question in a broader survey of human service nonprofit leaders, 5 percent expected an increase in their government funding, 31 percent expected it to stay the same, and 64 percent expected a decrease.⁵ In comparison to this broader group, SIF-funded nonprofits are less pessimistic about future funding.

That said, this data does not suggest that we are in the middle of a sea change in which nonprofit organizations with superior results can expect to be rewarded with more public funding. This inference held up as we dug in deeper to consider whether SIF-funded nonprofits reporting a stronger evidence base would be more likely to expect increases in government funding. We had hypothesized that there would be a positive relationship between these variables. However, we observed essentially the same distribution when we looked at organizations reporting impact validated in randomized control trials and others reporting earlier stage evidence (e.g., pre- and post-tests or quasi-experimental designs). Across all levels of evidence, the modal response was "limited change," and those

⁵ See Daniel Stid and Vishal Shah, "The View from the Cliff: Government-funded Nonprofits Are Looking Out on Steep Cuts and an Uncertain Future," The Bridgespan Group, January 2012.

leaders that that did expect change were more or less equally divided between “increase” and “decrease.”

In the years ahead, government fiscal constraints could negatively impact SIF-funded nonprofits in two ways—by eroding the baseline public funding currently in their budgets and by making it harder to establish new funding streams to support innovative approaches. SIF subgrantees are already experiencing both challenges judging by their answers to this fill-in-the-blank question: “The #1 challenge your organization faces in securing government funding is _____.” The top two responses were “cutbacks in existing government funding streams,” selected by 40 percent of respondents, and “limited government funding for the programs you deliver,” selected by 26 percent of respondents.⁶ What remains to be seen is whether these headwinds will stiffen or begin to recede for those organizations identified as delivering superior results.

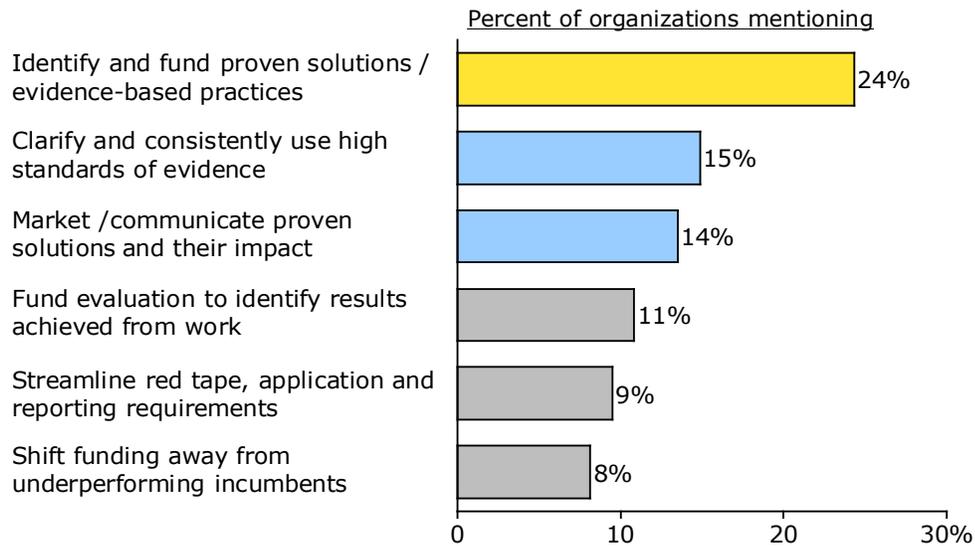
The success of social innovation will ultimately depend on government transformation.

Advocates of social innovation believe that if government can identify and shift resources to the best programs and nonprofit providers, we can accelerate progress toward solutions to our most vexing social problems. But in our view, government itself will also need to be transformed for social innovation to realize its full potential. Consider the responses of SIF-funded nonprofit leaders to an open-ended survey question about what systems-level changes were needed to shift more funds to programs and providers delivering superior results. (We grouped similar responses into overall categories on the next page.)

⁶ The next two most frequently cited answers were “difficulty of displacing established service providers” selected by 9 percent of respondents and “government funders do not fully appreciate your superior evidence base” selected by 7 percent of respondents.

What systems changes are needed?

"What is the most important change that you think is needed to shift more funding to programs and providers delivering superior results?"



n = 74 Individual responses could be matched with more than one code. Only top six response categories are shown. Source: Bridgespan survey of Social Innovation Fund subgrantees, August, 2012. TBG Revised slides for article 4

The most frequently cited systems change needed is summarized by the category “Identify and fund proven solutions/evidence-based practices.” One respondent’s answer encapsulated this imperative: “Having funders make funding decisions based on programs that are providing superior results.” This is the whole point of the SIF and other initiatives to advance what works. It is happening more with private sector funding; the public sector, for now at least, appears to lagging behind.

While it is, again, too early to draw definitive conclusions, we have identified above some formidable obstacles to this shift—the political aspects of government funding decisions, especially at the state and local level, and the related inertia of incumbency and tendency to spread cutbacks across all providers regardless of results.

But we also must acknowledge the biggest elephant in the room: For all of the attention paid to the SIF, the \$137.5 million in total that the federal government has awarded to grantees over the past three years represents a tiny fraction of annual federal budgets of more than \$3.5 trillion in this period. Even factoring in the somewhat larger amounts invested in programs with evidence of results such as the Department of Education’s i3 (Investing in Innovation) Fund and the

Department of Health and Human Services' Maternal, Infant, and Early Childhood Home Visiting Program, these innovative approaches to government funding are dwarfed by overall government funding flows. As one nonprofit leader observed, "Large-scale innovation in programs that are principally federally funded and constitute vastly greater resources will require attaching some level of results-driven competition to dollars that traditionally have been distributed automatically and according to input-based thinking." So long as these traditional dynamics dominate the spending patterns of federal departments and ripple down through the state and local governments, they will crowd out the growth of results-based social innovation.

The second most needed system change proposed by our survey respondents was for government to "clarify and consistently use high standards of evidence." While there has been considerable progress in raising the importance of evidence, many SIF-funded nonprofit leaders express concern that organizations not operating at the highest level of performance are nevertheless able to persuade government funders who now feel obliged to tick the "evidence" box that they are good enough to keep getting funded. One leader whose organization recently completed a rigorous evaluation that showed significant positive effects on the population being served expressed his frustration: "This notion of evidence-based practices is something that is so ambiguous! I never quite know what it means. There are so many different levels of evidence. Is it proven, or verified, or promising, or validated? Almost everybody is giving some type of evidence, some numbers that they can essentially show to meet the threshold of whatever tier of evidence that their government funders are looking for."

The third most-cited systems change needed is to "market/communicate proven solutions and their impact." In effect, leaders of SIF-funded nonprofits are asking government and philanthropic leaders who already share their commitment to results to help them influence the thinking and decision making of other federal, state, and local government agencies and philanthropic funders who do not yet. Can they serve to amplify the signals they are receiving in ways that influence other funders?

The feedback from SIF subgrantees, taken as a whole, indicates that there is more work to do in realizing the promise of the initiative, and of the broader movement to invest in "what works." But the feedback also suggests that the movement is gaining momentum. Evidence is mattering more. Philanthropy is supporting this innovative approach. Subgrantees are encouraged by the federal government's growing commitment to using evidence of effectiveness in making funding decisions. While the guiding principles behind the "what works" movement will ultimately need to influence decision-making in a larger portion of the federal government, and in state houses and city halls across the country, as a result of

the SIF they are increasingly in a position to do so. Those of us who believe in the promise of this approach to solving social problems have a results orientation that leads us to zero in on indications that something is not working as planned. We need to make sure that this disposition does not prevent us from recognizing and reinforcing early signs of progress.

Over the past three years, the social innovation movement has experienced a strong impetus radiating out from the SIF and similar federal initiatives. For the movement to advance, government at all levels needs to hear back—as loudly and clearly as possible—from advocates across the social sector. In sum, there needs to be a larger and more vocal constituency to advance “what works.”