SCALING SOCIAL INNOVATIONS – GAPS & OPPORTUNITIES

Silicon Valley is a hub of technology innovation. But when it comes to social innovation, it is a global phenomenon where solutions emerge from the skills, resources, and perseverance of people across the planet. Three systemic barriers block many social innovations from scale – and finding solutions to these barriers is a call to action.

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Record-breaking heat and hurricanes. Refugees with no place to go. Increasing poverty and income inequality within some of the world's richest countries. At the roots of these tremendous problems are a tangle of causes that demand massive action across a multitude of actors – they demand social innovation at scale.

Aiming to understand patterns that enable social innovations to scale their impact over time, I worked with colleagues at Stanford University's Center for Social Innovation to examine a breadth of social innovations that have evolved from small, localized experiments to achieve widespread impact [1]. We studied the emergence and scaling of ten social innovations and analyzed the paths traversed to reach new users, beneficiaries, and geographies. Through our research, we identified three recurring barriers to scale and studied the approaches employed to overcome these barriers. These findings can illuminate work to support other social innovations along a trajectory to greater impact, so that proven solutions gain the momentum needed to move the needle on the enormous challenges of our time.

WHAT DO WE MEAN BY SCALE?

The definition of scale is not universal. According to Duke University's Center for Advancement of Social Entrepreneurship, "Social innovations have scaled when their impact grows to match the level of need." Jeffrey Bradach provides an alternate perspective: "How can we get 100x the impact with only a 2x change in the size of the organization?" [2] By design, we did not set a precise definition of scale, because we wanted to explore the factors that had been important for a broad range of social innovations to achieve widespread impact over the past 30 years, and understood that scaling impact can look different for different innovations.

To analyze a social innovation's growth, Geoffrey Mulgan identified pathways to scale including advocacy, networks, franchising, and growth of an organization with some direct control.[3]

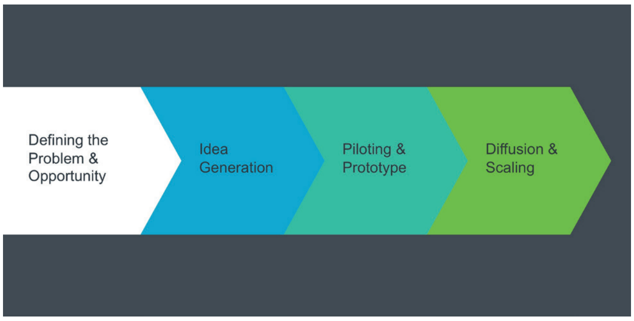
PATTERNS OF GROWTH & REPLICATION

Type 1 **General ideas and principles**	Spread through advocacy, persuasion and the sense of a movement; e.g. the idea of the consumer cooperative.
Type 2 **1+design features**	Spread through professional and other networks, helped by some evaluation: e.g. the 12 step program of Alcoholics Anonymous.
Type 3 **1+2+specified programs**	Spread through professional and other networks, sometimes with payment, IP, technical assistance and consultancy. E.g. some methadone treatment programs for heroin addicts would be an example, or the High Scope/Perry model for early years.
Type 4 **1+2+3+franchising**	Spread by an organization, using quality assurance, common training and other support. E.g. the one third of independent public schools in Sweden that are part of a single network would be an example; or Grameen's growth in Bangladesh and then worldwide.
Type 5 **1+2+3+4+some direct control**	Organic growth of a single organization, sometimes including takeovers, with a common albeit often federated governance structure. E.g. Amnesty International or Greenpeace.

Our research affirmed that scaling a social innovation often entails an assortment of the strategies listed in the table, employed thoughtfully over a very long time to build momentum, support for, and widespread adoption to achieve deep and sustained impact.

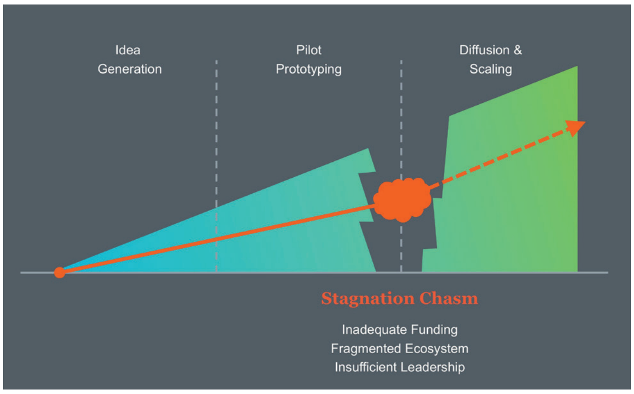
THE INNOVATION CONTINUUM

The innovation continuum describes the process through which social innovations evolve to create impact at scale, and helps us to identify the needs, opportunities, and strategies most critical at various points in a social innovation's trajectory.



Stages of innovation

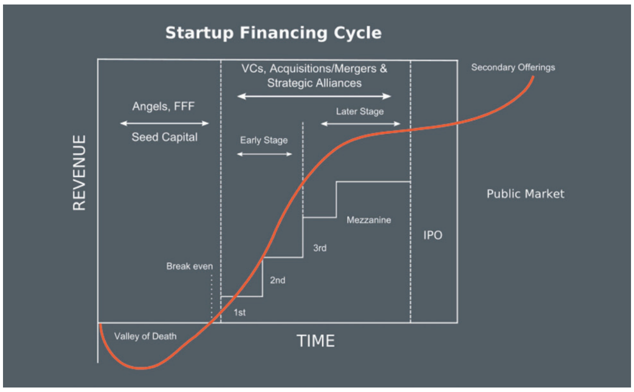
As we applied the innovation continuum to the cases we studied, we identified barriers to scale that often trap social innovations in a "stagnation chasm" before they achieve diffusion and scaling. Many factors contribute to the stagnation chasm, however, three barriers repeatedly block social innovations from reaching their broadest impact: scarce funds for growth, the fragmented nature of the social innovation ecosystem, and deficiencies in leadership. If we are serious about propelling proven social innovations to achieve widespread impact, we must find solutions that overcome these barriers.



Social innovation continuum

Social innovators face a convoluted path to mobilize the resources needed to amplify the impact of their work. Of the strategies for scale in Mulgan's chart, some are very capital intensive; others less so. Yet even the least capital intensive network approach to scaling social impact requires resources, as it takes time and expertise to navigate the relationships and complex interdependencies that are critical to success. Some ventures may benefit from earned revenue streams that provide funds for growth, but earned revenue is not guaranteed in the social innovation space, especially for innovations that serve people with no ability to pay. Thus, in order to scale impact, external funding is usually needed, whether from donors or from investors, depending on the legal structure and financial prospects of the venture.

An analogous struggle occurs in for-profit entrepreneurship: the "valley of death" refers to the time between a startup company's first funding and when it begins to generate revenue. In the valley of death, the firm is vulnerable to cash flow requirements and likely to fail before it has reached its full potential. Most companies do not make it across the valley of death. However, as illustrated in the graph on traditional start-up financing, there is a well-developed progression of funding once a new company has crossed the valley of death, with various sources of capital that enable profitable for-profit ventures to scale.



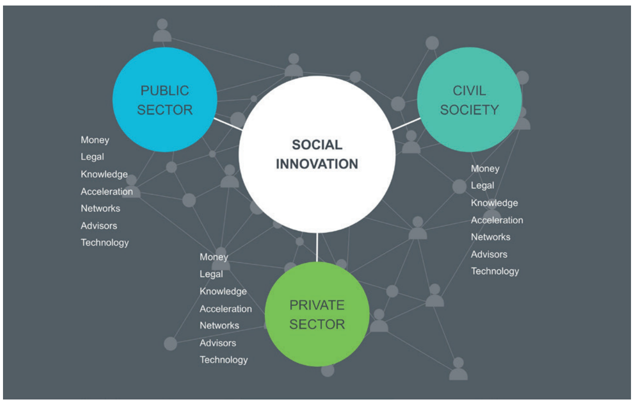
Traditional start-up financing

For social innovations, the progression of funding is vastly different. In the stagnation chasm, mezzanine funding and growth capital are scarce even after a program has been proven effective. There are many reasons for this funding gap. First, despite the promising emergence of impact investing, market forces do not push mainstream capital toward social innovations, as the promise of market rate financial returns can rarely compete with traditional industries. Second, social innovation funders are often drawn to the novelty of the idea stage. Funding new ideas and programs provides supporters with the satisfaction of being a part of something novel and catalytic, but social innovations cannot thrive without revenue to support continued growth. Third, scaling social innovations is a long-term process, and it is rare for funders to make multi-year commitments and stand by leaders through the ups and downs that come with efforts to create long-term change. Many new funders have led careers in the private sector, and bring expectations for market-driven efficiencies that may not be realistic when working in troubled economies, with marginalized people, or on issues where market forces hinder rather than help drive desired behaviors. Moreover, for nonprofit organizations, philanthropic capital is limited and can be very difficult to access, especially for replication or scaling the reach of an innovation. Funding social innovations to reach scale requires an unwavering commitment to the end goal and a great deal of patience and flexibility.

Understanding the barriers to this tier of funding, and learning from social innovations that have successfully mobilized growth capital, will position us to better deploy resources so that proven innovations are able to scale their impact. The scarcity of funding for growth is a primary cause of the stagnation chasm. This systematic problem is further exacerbated by fragmented ecosystems and leadership deficiencies in the sector.

A FRAGMENTED ECOSYSTEM

Engaging various actors from across the private, nonprofit, and public sectors is critical in scaling social innovations. Unfortunately, the importance of cross-sector partnerships can present a major barrier to scale. No matter what the issue – health, environment, or education – once a multi-sector approach is employed, the ecosystem complexity is magnified. Each sector has its own set of resources, incentives, knowledge, and networks. Mutual awareness is low, and meaningful coordination is even more uncommon. Current incentives do not encourage collaboration, and few organizations are positioned to weave together efforts, resources, and activities from all three sectors to drive social innovations on a broad scale.



Fragmented ecosystem

LEADERSHIP DEFICIENCIES

The funding landscape and fragmented ecosystem require highly adept people to shepherd social innovations through the long journey to widespread social impact. Unfortunately, attracting and retaining highly skilled people to navigate these complexities is a challenge for several reasons. First, the leadership skills required at the beginning of a venture are very different than what it takes to cross the stagnation chasm. Personal charisma and brash can-do serve an entrepreneur well in the ideation and piloting phase, but as an innovation matures, more subtle skills are required to build a powerful team, manage an expanding board of directors, and broker successful partnerships. Systems thinking becomes more important as innovations develop, requiring expertise in advocacy, public policy, thought leadership, and navigating complex collaborations. Moreover, as the organization scales so does the operational complexity. This requires effective cross-sector teams with skilled CFO's, CMO's, and more. In fact, you need an entire management team and staff who thrive working in complex eco-systems. Finally, salaries and compensation for this work often lag those offered by traditional companies and intrinsic motivation can only go so far. Funders should prioritize appropriate compensation and professional development for leaders and their teams who can produce the results that will spark impact at scale.

As a field, we need to develop a deeper understanding of the leadership skills needed for entire organizations to successfully push social innovations across the stagnation chasm, secure necessary funding, and effectively engage all sectors in the effort. These insights can inform the way the field invests in the development of ideas, leaders, and organizations.

CASE STUDIES – EMISSIONS TRADING AND FAIR TRADE

Consider two of the social innovations we studied: emissions trading in the United States to address acid rain pollution; and fair trade globally to ensure that producers receive a fair price for the goods they produce.

Emissions trading in the United States emerged as an approach to address the problem of acid rain from the 1950's through the 1990's. The process was slow and riddled with tension between sectors, with deeply fragmented, and often hostile, relations between nonprofit, industry, and government sectors. For years, most manufacturers fought to raise and extend the emissions reductions targets, and environmental nonprofits were unwilling to consider alternative approaches for industry to comply with 1970 Clean Air Act standards. This stand-off eventually shifted, and it was in fact industry that led and supported the first official emissions trading market in 1979. It took another decade, at which point leaders from all sectors were willing to collaborate, to finally reach the passage of marketable permits trading. By the end of the 1990s, the Environmental Protection Agency reported one hundred percent compliance with the program, at lower cost than projected; evidence that the approach could now be considered successful.

U.S. emissions trading as a social innovation faced two predominant barriers to scale: a fragmented ecosystem and a leadership deficit. Over time, both of those barriers were overcome as leaders from all sectors shifted from a defensive to a solutions-oriented approach. Civil society actors first protested the problem, then galvanized forces to implement legislation through key nonprofit organizations, and over time shifted from attacking innovative implementation solutions to a willingness to collaborate. Government agencies emerged to align stakeholders and enforce standards, and industry representatives evolved to proactively shape regulation rather than reject it. Within each sector, leaders had to consider differing viewpoints to reach a solution that could bridge a fragmented ecosystem.

Now consider the example of fair trade, a social innovation that has achieved impact at scale, despite economic disincentives, scarcity of growth capital, and a fragmented ecosystem. Fair trade started after World War II with a handful of experiments by well-intentioned groups of people. Among them, the Church of Brethren imported cuckoo clocks from Germany and the nonprofit Ten Thousand Villages bought needlework from Puerto Rico. Fair Trade remained a nascent idea for decades until the establishment of intermediaries. Many intermediaries such as the Fair Trade Organization helped it to scale by setting standards and verifying adherence, in effect synchronizing the diverse grassroots efforts that had emerged across the United States and Europe. Southern fair trade organizations emerged in the 1960s and 1970s, aiming to support producers in Africa and Latin America. New alliances helped to bridge the fragmented ecosystem and connect supply and demand around the shared goal of greater equity in international trade. When fair trade expanded into the coffee industry, major nonprofits and corporate buyers entered the demand side of the market. Ultimately, scale was fueled when large global retail outlets such as Walmart and Starbucks became sellers of fair trade products, in addition to traditional outlets.

When fair trade emerged as an idea, market solutions to social problems were rare, and the small shops and nonprofits leading the movement struggled to attract growth funding. As fair trade built momentum, leadership from the nonprofit and private sectors employed higher-level skills to reach a broader market, institutional funding became a viable option, and intermediaries and certifying organizations helped to unite the fragmented ecosystem.

THE FRONTIER FOR SCALING SOCIAL INNOVATIONS

Given the complexities of social and environmental problems, it is clear that traditional disciplinary approaches are not up to the task. In order to strengthen a social innovation ecosystem that will support impact at scale, we need to:

- Research more deeply the barriers of the stagnation chasm to better define viable solutions
- Challenge for-profit and nonprofit funders to address the dearth of growth capital to scale proven innovations
- Educate, support and expand people who can effectively bridge the fragmented ecosystem
- Invest in leaders, teams and entire organizations that are able to persist and overcome the stagnation chasm.

The opportunity for impact mirrors the immensity of the need. This can be done. We have learned that for-profit innovation grows in countries with strong "innovation systems," which include the financial, managerial, technical, and other support for entrepreneurs and ideas. To create vibrant "social innovation systems," it is upon us to nurture a global ecosystem that can support the social innovation process from ideation all the way through scaling, so that the promise of proven solutions can reach the people and places most in need.

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