NONPROFITS

Social Good = Scale x Impact (Who Knew?)

Why both nonprofits and academics should focus on scale and impact in this simple formula for good.

By Matthew Forti & Andrew Youn | 10 | Jul. 28, 2014

Pursuit of social good has never been more prominent than it is today. Funding flows are larger than ever. The number, size, and variety of organizations delivering services are all steadily increasing, as are the amount and quality of research and evaluation that academics and others are carrying out. Our mission, should we choose to accept it, is to make the most of this historic opportunity and maximize impact on people and planet.

However, we are troubled by the widening gap between how those delivering services (particularly nonprofits) and those evaluating interventions (particularly academics) approach this challenge. Nonprofits often focus on scale while evaluators focus on net impact. We need both, and we need nonprofits and evaluators to adapt their approaches in pursuit of maximum social good.

At its worst, nonprofits’ laser-focus on scale manifests as “empire-building”—some raise vast funds to get big fast and assume impact will follow. But more often, this focus is for good reason: Nonprofits are keenly aware of the magnitude of the social problems they address and want to grow beyond the microscopic “market shares” they typically command. At One Acre Fund, for example, we will serve roughly 200,000 African staple-crop, small-scale farm families this year—just 0.4 percent of the potential market of 50 million. Many peers, including several contributors to the recent “SSIR x Bridgespan Achieving Transformative Scale” series, face similar challenges.

Pursuit of scale with little regard for impact is dangerous. When nonprofits aren’t equally concerned
with continually improving their programs through measurement and R&D, they are less able to create transformational change.

On the other hand, evaluators (particularly academics) often devote too much mindshare to “net impact” (impact per cost), as they pursue the best “bang for the buck” in a given outcome area among the maddeningly large number of interventions from which donors, policy-makers, and replicators must choose.

But pursuit of high net impact with little regard for scale is also dangerous. Too often, it means evaluators conduct research under idealized conditions, with little regard for whether a given intervention will ever impact the lives of millions. Too much academic research ignores real-world settings (will impact hold up under greater contextual diversity?), implementation factors (how do leader characteristics or the regulatory climate, for instance, influence outcomes?), and scale factors (what is the real cost of the intervention at scale, and what mechanism will allow it to reach lots of people?). The sad result is that few interventions that “prove” effective through high-quality research actually scale.

**Bringing Together Scale and Impact**

At One Acre Fund, we are working to de-isolate these two critical factors, and achieve both meaningful scale and net impact. We’ve grown more than 75 percent per year in farmers reached in the last five years and nearly doubled our net impact per client (measured as the incremental farm income we generate, less the donor cost to generate that income, on a per-farmer basis). We validate our scale and net impact through robust internal systems, and calculate our impact by physically weighing the harvests of our farm families and comparing them to a well-formed control group of newly enrolled families. Recognizing we still have room to improve, we constantly experiment with new measurement designs and techniques to more definitively attribute our impact.

Behind this progress is an extremely simple visual (see below) we use to guide our decision-making—the “social good box.”

This construct has been extremely helpful to our thinking. To share three examples:

- We recently segmented our growing R&D operation into two arms: product innovations (testing and rolling-out more impact-enhancing products to clients) and scale innovations (searching for opportunities to increase our penetration in existing areas).
- Our recent strategic plan includes a mix of initiatives, some focused on higher net impact per client (for example, improving soil health and climate resilience), others on greater scale (such
as more rigorous new country scouting operations).

- We now conduct new product trials by examining both expected adoption (scale), and expected impact per adopter, helping us avoid enticing and very high net impact products that would have relatively modest adoption. Before this shift, for instance, we introduced passion fruit to our Kenyan farmers based on research showing very high profit potential, but we completely underestimated the challenge of convincing farmers to adopt this entirely unfamiliar product. It was a colossal failure, and we soon discontinued the product.

**Increasing the Size of the Social Good Box, Sector-wide**

Nonprofits must devote much more attention to measuring and managing performance to achieve maximum net impact per client, and academics can be powerful partners. In our own work, we have benefited tremendously from partnerships with IDinsight, which uses rigorous field experiments to help leaders improve their programs and decisions, and UC-Berkeley’s Center for Effective Global Action, which conducts research with our farmers on topics of joint interest—we then rapidly scale those with high net impact through our network.

Meanwhile, evaluators must give greater consideration to client adoption in their research and adjust study design accordingly. They should also devote more time to measuring at-scale work implemented by real-world actors who plan to further scale after the research concludes, or create another mechanism to achieve scale based on successful research. A great example of the latter is Evidence Action, a year-old organization incubated out of the evaluation firm Innovations for Poverty Action (IPA). The organization’s leadership is already hard at work on scaling two interventions—chlorine dispenses and deworming treatments—backed by rigorous evidence from IPA’s research.

Finally, funders—particularly foundations—need to help bridge the gap. They can insist that nonprofits verify scale and net impact for each intervention they support, and do the same in their own due diligence on prospective grantees. The latter means paying deeper attention to the integration of net impact (outcomes relative to a well-constructed control group, full cost to serve a client today and in steady state) and scale (including market size, barriers to entry, resource magnetism of the leader, and leadership bench).

Only by working together, and prioritizing scale with impact, will we maximize the social good we achieve.

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