SMART SCALING FOR SOCIAL CHANGE ORGANIZATIONS

A Case Study on One Acre Fund’s Path to Reaching 1 Million Farmers

This report was made possible by the support of the American people through the United States Agency for International Development (USAID). The contents are the sole responsibility of the One Acre Fund and do not necessarily reflect the views of USAID or the United States Government.
Introduction

For nonprofit organizations seeking to grow, scaling can be one of the biggest challenges to creating transformative societal change. While not all nonprofits need to expand (many hyper-local organizations do highly impactful work within their own communities), social enterprises and non-governmental organizations with the express goal of scaling through replication, partnerships, or policy work often find it difficult to grow beyond certain plateaus. In the U.S., for example, only about 200 out of 200,000 nonprofits founded between 1975 and 2008 broke through the ceiling of reaching $50 million in annual revenues, according to a study from Bridgespan Group. The Million Lives Club, a global initiative founded by donors including USAID, has just 31 members that have achieved the milestone of serving at least 1 million of the world’s poorest people.

While in both the private and social sectors there are many more smaller organizations than larger ones, there is a bigger difference in how big the larger ones get, as Figure 1 illustrates. This is partially due to the large scale of global poverty — over 1.9 billion people live on less than $3.20 a day — and a variety of access challenges that are unique to the world’s poor. The lack of efficient capital markets in the nonprofit universe is also a driving factor — our analysis of total market flows by sector shows only 3% of social change giving is in the form of $10 million+ grants, whereas 99.5% of funds invested in the private sector are at this scale. The goal of this report is not to determine why this is the case, but to think instead about what scale-minded social sector organizations can do to overcome the odds.

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3 For the nonprofits in this chart, market share was defined as number of clients reached by the organization divided by the number of total beneficiaries these organizations considered as within their target population. For One Acre Fund, the market was defined as 50 million total smallholder farmers in Africa. For VisionSpring, the market was defined as 700 million low-income people worldwide who need but don’t own eyeglasses. For Room to Read, the market was defined as 60 million primary school-aged children who do not have access to education. For the for-profit companies, total market was defined as: the number of smartphones sold worldwide (Apple); U.S. carbonated soft drink market by volume (Coca-Cola); U.S. fast food industry by sales (McDonald’s).
4 According to the World Bank, $3.20 per day reflects poverty lines in lower-middle income countries.
5 For example, small-scale subsistence farmers make up more than 70% of the world’s poor, according to the World Bank. Many live in remote rural areas that are not served by governments or international organizations, as lack of basic infrastructure, transportation, and market access can make these populations difficult to reach.
6 Private sector estimates are based on global figures for 2018 or 2019, as available. Market sizing estimates for Angel ($0.015 trillion) and venture capital excluding Angel ($0.3105 trillion) from Crunchbase, 2018; Private equity ($3.2 trillion) and public markets ($70 trillion) are from McKinsey. Social change giving estimate includes gifts to human services, the environment, and international development. Based on One Acre Fund’s analysis of Bridgespan’s big bet data and Giving USA statistics. These are U.S. figures for 2015-18; global unavailable.
Background on One Acre Fund

One Acre Fund is a nonprofit social enterprise working to alleviate hunger and extreme poverty for small-scale farming families by delivering a complete bundle of services: financing for improved farm inputs, delivery, agricultural training, and post-harvest market support. Taken together, these interventions can help farmers significantly increase their crop yields and incomes, enabling families to begin paths to prosperity. Farmers who join our program typically see a 40-45% increase in their incomes (bottom-line farm profits) on the crops, trees and other products we support.

When One Acre Fund was founded in 2006, we started by working with just 38 farmers in Kenya. Since then, we have grown exponentially, and in 2019 we reached the important milestone of serving 1 million farmers annually through our core program. We also delivered 2.4 million interventions to an additional 1.4 million farm families through public and private partnerships (See Systems Change Platform on page 5 for more information).

In this report, we will explain One Acre Fund’s approach to scaling, including how we have maintained our expansion pace, challenges we have encountered, and criteria we set for deciding how and where to grow. We hope our advice will have value both for implementing organizations working with the extreme poor, as

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<th>ONE ACRE FUND: AT A GLANCE</th>
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Countries of Operation: Kenya, Rwanda, Burundi, Tanzania, Malawi, Uganda, Zambia (pilot), Nigeria (pilot), India (pilot), Ethiopia (partnership)

One Acre Fund’s Direct Service Model: One Acre Fund is a nonprofit social enterprise that provides small-scale farmers with a four-part bundle of services: improved agricultural inputs on credit, delivery, training, and post-harvest support. Taken together, these services enable families to significantly increase their crop yields and incomes.

Our Impact: One Acre Fund farmers typically increase their incomes by 40-45% versus non-enrolled neighbors on activities we support. This has translated to impact of an additional $109 in income per farm family per year, on average, over the past three years.

Systems Change Platform: In addition to our direct-service model, we also partner with governments and private-sector actors to drive impact in broader agricultural systems. Examples include partnerships to produce improved hybrid seeds, provide farmer training through agricultural extension networks, and distribute trees. In 2019, these partnerships reached 2.4 million farmer touchpoints. See page 5 for more information.

*In this report, we use the term farmer income to represent bottom-line profits for small-scale farmers. We calculate our impact by taking farm revenues less all the costs of farming for One Acre Fund clients, as well as highly similar non-enrolled neighbors (or “control” farmers), and comparing the two. We calculate impact on our asset products (trees, solar lights) as the discounted net present value of all financial flows during the life of the product.*
well as funders of those entities. At the same time, we recognize that there is no one-size-fits-all approach to scaling. Every organization has its own unique set of competencies and challenges, and our methodology represents just one way that successful nonprofits can grow.

**Designing for Scale**

One Acre Fund’s scale journey over the past 14 years has been one of continual learning, and as we reflect back, a number of factors helped facilitate our growth. These fall within three broad categories: team mindset, organizational model, and commitment to innovation.

**Developing a Scale Mindset**

From the beginning, One Acre Fund recognized we were facing a massive market challenge – there are 50 million smallholder farming families in Africa alone who could benefit from our program. We knew that a scale of tens of thousands or even hundreds of thousands would be insufficient if we wanted to alleviate hunger and extreme poverty at a broad level. So in 2010, just four years after our inception and at a time when we were only reaching about 31,000 farmers, we set a goal that was on the edge of believability – by 2020, we would grow more than 30-fold to serve 1 million families across all our core program countries.

We then reverse-engineered our goal into drivers – how many new countries we would need to enter, the proportion of each country’s territory we would need to serve, and our household penetration in those territories. Then we empowered our field leaders to achieve this BHAG (big, hairy, audacious goal). Indeed, “1 million farmers by 2020” served as a rallying cry for our team, forcing us to think beyond the incremental progress that comes with traditional annual planning. We designed every aspect of our model to support rapid scale, from codifying standard operating procedures, to modeling the criteria that predict success in new territory launches. Across the board, setting a bold goal created a more empowering culture where staff were free to explore new innovations to expand our reach, and where team members felt impassioned by the idea of making a large-scale impact. This united sense of purpose helped drive our growth, so that we reached our 1 million target in 2019, earlier than projected.

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In recent years, we have realized that “numerator thinking” (our reach) is incomplete. Confronting “the denominator” – the market of roughly 50 million chronically hungry African farm families who could benefit from our model – would be crucial if we were to make a meaningful dent in the problem. This “denominator mindset” is compelling us to explore channels beyond our core operating model. Our public and private partnerships unit, discussed in the box below, already reaches nearly 1.5 times more farmers than those served in our core program.

Studies of successful systems-change initiatives find that scaling direct service is important to building the credibility, relationships, and client base that make nonprofits more attractive as partners to government and the private sector. This was true in One Acre Fund’s case – starting out with a direct service model (our core program) helped us pivot later to a partnership structure and expand market share.

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**ONE ACRE FUND’S SYSTEMS CHANGE PLATFORM: SCALING THROUGH PUBLIC AND PRIVATE PARTNERSHIPS**

In 2015, we began expanding our reach through partnerships with governments and private-sector stakeholders. This work eventually became our Systems Change unit, which drives nationwide impact by addressing market gaps in the broader agricultural systems in countries where we operate.

One example of this work is our partnership with the Rwandan government through the Twigire Muhinzi program. This initiative, supported by USAID and the Skoll Foundation, brings together One Acre Fund’s Field Officer model with local government infrastructure to provide farmers across the country with crucial training and extension services. In 2019, this program supported the training of 14,000+ volunteer extension agents, who passed on knowledge on improved agricultural techniques to farmers nationwide.

Over the past few years, we have expanded our partnership work into new areas, including seed, agroforestry, and rural retail. Partnerships in Rwanda, Malawi, and Ethiopia facilitated the plating of nearly 8 million surviving trees in 2019, creating both environmental and financial benefits for small-scale farmers (e.g. trees increase in value as they grow, so they can be cut, sold, and replanted after a few years for a profit). We now see our Systems Change platform as a key driver of our growth in the next decade.

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Building a Model for Growth

In addition to setting ambitious targets, nonprofits should think pragmatically about how to design their models for growth. One Acre Fund uses a scale-through-repetition approach, similar to for-profit companies like McDonald’s and Starbucks, which have grown rapidly by opening standardized retail outlets. Scalability is deeply embedded within three main aspects of our model design:

1. **Program Model: Systemize and Incentivize**

Since the beginning, One Acre Fund has used a highly systemized program model, with cookie-cutter processes that can be easily scaled or adapted to fit different local contexts. Each of our “district operating units” includes a Field Director (who manages district operations), 6-10 Field Managers, 30-50 Field Officers, and a bookkeeper. Each Field Officer manages one “site,” serving 150-200 farmers, and each fully scaled district can encompass up to 10,000 families. Each district within a country operation uses the same procedures for repayment collection, training, and delivery of seed and fertilizer.

Farmers join One Acre Fund’s program in groups of 5-15 of their neighbors; they generally work their fields together and encourage each other to complete their loan repayments. Our organic scaling model incentivizes Group Leaders to add new members to their groups (e.g. by offering incentives such as gumboots or solar lamps when groups reach certain thresholds) and encourages successful groups to split up and create new groups, a key lever for expanding rapidly.

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13 One Acre Fund works in eight countries in Sub-Saharan Africa, encompassing a wide variety of geographic, agroecological, and cultural contexts. Clearly for this reason, not all of our processes can be replicated exactly from place to place. We tailor our program in a variety of ways, while maintaining the same underlying organizational structure. Some examples of program adaptations include offering different crops in different locations based on local farmer experience and agronomic conditions, offering training sessions at varied lengths and frequencies based on population density (e.g. how far clients have to walk to reach our meetings), and creating different processes around repayment depending on farmers’ access to mobile money. More information about program adaptation is found in the Overcoming Setbacks section of this report.

14 As a nonprofit social enterprise, we operate like a business; One Acre Fund provides agricultural inputs to farmers on credit, and farmers repay their loans throughout the growing season. We use a group liability structure, such that farmers are only eligible to re-enroll in our program the following year if every member of their group has completed repayment from the prior season. This approach has worked for us in most cases; however we are in some countries currently trialing “individual liability,” where only individuals who fail to repay would be barred from re-enrolling (instead of entire groups). We are evaluating this approach following some challenging impact seasons (see section on Overcoming Setbacks) when adverse weather and market volatility created farmer cash constraints that affected client repayment. Trials are in early stages, so we are not yet certain if this approach would be appropriate for our program at a larger scale.
Finally, it is important for nonprofit models to maintain focus as they scale, as it is easy to get overwhelmed with the different areas of need facing families living in poverty. During our early years, One Acre Fund chose to focus solely on agriculture. Since then, we have only extended into a few adjacent products (e.g. solar lights, trees) that pass through multiple phases of research and development and meet stringent criteria around our ability to finance them, train existing Field Officers in their use, and distribute using our existing infrastructure. Keeping a laser-sharp focus on the problems we are trying to solve (hunger and extreme poverty in rural farming communities) has enabled us to improve our expertise, credibility, and impact – and has been a key driver of our scale growth over the past 14 years.

### 2. Talent Model: Develop Staff and “Go to Gemba”

One Acre Fund’s program is delivered by an abundant, low-attrition labor force, primarily composed of farmers we recruit from local villages and train to be Field Officers. Each staff Field Officer provides training and facilitates enrollment, repayment, and other services for 150-200 neighboring farmers. We put a strong emphasis on ownership and professional development for our field team, offering training on a range of leadership and business skills. Our field team now encompasses over 5,000 local staff, and many have risen through the ranks over the years to managing large teams and programs today.

One Acre Fund has also made getting into the field an organizational norm – which helps us scale by keeping our staff in touch with the fast-changing environments and circumstances on the ground that can at times require our program to adapt. No decision has been more consequential to One Acre Fund’s scale than situating our headquarters in the rural locations where our farmers live, enabling our entire team – including frontline Field Officers and Country Directors – to interact with farmers on a daily basis, inside and outside the work week.

As we grew, we officially instituted the cultural norm of “going to gemba.” Gemba is a Japanese term meaning “the real place,” or in business, “the place where the work is done.” Today, all staff – even those in supporting roles that don’t directly require intimate knowledge of our field operations – commit to spending time both in farmers’ fields and in the “fields” of the functions they support (such as a senior logistics leader spending time observing workflows in a One Acre Fund warehouse). By listening to farmers and “going to gemba,” we are better able to offer services that fit our clients’ needs – creating strong demand for our program and enabling growth year after year.

As the majority of our staff are rurally based, we can physically go to gemba for minimal added time and costs. Other organizations with more widely dispersed staff could think of creative ways to go to gemba, such as by conducting video tours of facilities, or leadership staff arranging phone conversations with customers or employees lower in the organizational hierarchy.

### 3. Financial Model: Operating as a Social Enterprise

One Acre Fund operates as a social enterprise – we provide farmers with improved agricultural inputs on credit, and they use profits from their increased harvests to repay their loans throughout the growing season.
price our services following the philosophy that farmers should pay market prices for products like credit and inputs that have farmer acceptability and private sector alternatives, and that donor subsidies should be used for services like training and insurance that do not yet have farmer acceptability, but without which the products (credit and inputs) would not be profitable.

Charging clients is helpful for two main reasons. First, donations can be largely steered to innovation, growth, and corporate overhead, rather than program delivery. Second, charging clients puts their “skin in the game,” driving a higher degree of participation in and impact from the program – and thus a higher likelihood of re-enrolling in our program year after year (which is one of the most important drivers for scale).

Farmer loan repayments covered 73% of the direct and indirect costs of running our field program in 2019. This financial sustainability figure does not include all of our organizational expenses, such as research and development, government relations, and shared services such as finance and human resources. As Figure 3 shows, earned revenue from farmers accounted for slightly more than half of our total operating expenses in 2019. A drive to full financial breakeven would be mathematically the equivalent of driving the “net cost to serve” a client (i.e. the cost to serve per client less revenue recovered per client) to zero.

One Acre Fund’s thinking on financial sustainability has evolved over time. While we still believe that achieving a high degree of financial sustainability is important for scale and supports our relentless focus on efficiency, we no longer see financial sustainability as an end goal – but rather as a means to an end. This is primarily for three reasons:

- First, we are committed to working with extreme and ultra-poor populations, where it is incredibly challenging to fully pull the levers needed to reach full financial breakeven. For example, in countries such as Rwanda and Burundi, land sizes are so small and assets/savings so minimal that, past a certain level, farmers cannot easily increase their transaction size with One Acre Fund (to increase our revenues and margin).

- Secondly, farmers in Sub-Saharan Africa face magnified challenges from external, macro factors such as climate change, market volatility, crop pests and diseases, and government instability. Whereas

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19 Our financial sustainability figure is a weighted average of a wide range of results across our different country programs, and is based on how long we have been operating in each location, favorability of the regulatory environment to allow us to price freely, the average land size a farmer has available to enroll, and other factors.

20 “Extreme poor” is consuming < $1.90 per adult equivalent per day, in 2011 PPP$; “ultra-poor” is consuming < $.50 per adult equivalent per day, in 2005 PPP$. 

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private-sector businesses might respond by shifting markets, One Acre Fund is committed to driving impact in challenging environments.

- Finally, our goal of rapidly scaling year after year has been a headwind against full financial sustainability, for the simple fact that new areas operate at higher costs and often require up-front investments in infrastructure and people. In addition, some cost types do not actually decrease per unit with scale, as an organization simultaneously realizes the need to grow its quality. For example, as a nonprofit scales in clients served and footprint, it often feels pressure to (a) shift to a higher quality, more expensive external auditor with ability to do field audits; (b) build an internal audit function for continuous, deeper auditing. These kinds of decisions often lead to big jumps in costs at certain scale points in an organization’s journey.

The lessons we have learned about financial sustainability illustrate why social enterprises often still need to invest smartly in fundraising. Over time, One Acre Fund’s fundraising approach has evolved to match our program growth. The majority of our early stage capital came from “friends and family” and funders open to supporting early validation and scale. Later, we began investing in measurement to prove the impact and cost effectiveness of our model. With this proof in hand, we have been able to attract larger foundation, corporate, and public grants.

See Figure 3 for a breakdown of One Acre Fund’s donor funding by category in 2019. We were fortunate to be founded at Northwestern University’s Kellogg School of Management, a U.S.-based business school with a strong culture of students, administration, and alumni supporting social enterprises. Our special relationship with Kellogg has supported our retail and major gift giving. In addition, broader trends in high net worth individual giving are inspiring donors to make more “big bets” on nonprofits, often in collaboration with their peers. One Acre Fund has proactively sought out these initiatives; for instance, we were proud to be an early recipient of an Audacious Project Prize. In the area of institutional fundraising, One Acre Fund has invested in building our evidence across a range of themes – food security, livelihoods, climate, nutrition, gender, and many more – allowing us to fundraise within a variety of thematic areas. Finally, although resources are limited, we have prioritized investment in our business development team, recruiting roughly one new “relationship manager” per year in the past five years, all with extensive non-overlapping networks by theme and geography, and backed by strong research and writing support.

### Innovating for Scale and Efficiency

Most nonprofits have product innovations teams, but few have a dedicated innovations team for scaling. One Acre Fund has an entire team focused on making our model more scalable and efficient. Our Program Design team develops innovations to help increase our client density (defined as the percentage of households in an existing program area that join One Acre Fund), which is a less expensive way to scale than growing outward into new regions. Additionally, the team investigates new ways to drive down the costs of operating each site through more efficient processes. As One Acre Fund has grown, we have developed a relentless focus on efficiency. Our Program Design team has benchmarked our activity-level costs across our program countries; in some cases we determine costs should vary because of different contexts, but in other cases we do find best practices that can be spread from one country to another.

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Our Program Design team tests new scale innovations using a phased trial approach, similar to our product innovations pipeline (which rolls out new products like seeds, trees, and solar lights to farmers) – but instead of testing products, we test processes. Stage 1 testing consists of desk research and surveys about new scale ideas, generated through discussions with clients and staff. In Stages 2 and 3, we trial our ideas in the field with small and then much larger groups of farmers. If trials are successful, we reach Stage 4, full-scale country launch.

How nonprofits innovate around scale will be highly dependent on individual contexts. Here are some examples of innovations we have launched following Program Design trials:

- **Tablets:** We provided tablets to all of our frontline field staff in Kenya in 2019. This improves our efficiency by allowing each Field Officer to serve more farmers by reducing their time spent on processes like marketing, enrollment, and repayment collection. Tablets are used for both repayment monitoring and enrollment through customized apps, digitally streamlining these processes to save money and time. We estimate that tablets deliver a 2:1 financial return on investment, saving us an estimated $1.1 million annually in Kenya against costs of about $560,000.23

- **Increased Staffing for Enrollment:** To increase client density (i.e., the proportion of farmers in a given village who enroll in our program), we hire temporary “marketing officers” during enrollment season to assist Field Officers in finding and signing up new clients. We also engage in “site splitting,” or taking an existing Field Officer territory, splitting it in half, and inserting a second Field Officer. This enables us to increase client density while saving on management and overhead costs.

- **“Just in Time” Ordering:** One Acre Fund historically has required that clients sign up for our program and prepay a small fee months in advance of receiving their farm inputs. Our “Just in Time” initiative in Kenya allows farmers to sign up and prepay on our input delivery days and receive their products on the same day. This initiative has increased our enrollment by capturing farmers who may have been undecided or experiencing cash constraints during the earlier enrollment period. We also allow clients who have already enrolled to “top up,” or add to their orders on delivery days, as our research has shown that larger loan sizes correspond to greater impact.24 We estimate that “Just in Time” ordering at full scale has the potential to generate a high 6:1 social return on investment (See SROI on page 12), adding $6 in impact to our program for every $1 invested. However, Just in Time does bring some increased risk (e.g., the possibility of mis-estimating incremental increases in inputs when we place our orders many months ahead, or farmer behavior causing demand during the regular enrollment period to drop significantly), so we do not view this intervention as a magic bullet.

Scale-minded organizations should think about how they can embed growth drivers into every aspect of their models – from their team culture and mindsets, to their organizational, talent, and financial structures. Setting bold goals and considering market share (within the broader community whose needs they are trying to address) can help inspire organizations to explore new channels for growth. Importantly, maintaining focus is an essential ingredient for scale, but organizations should also prioritize innovations to increase efficiencies as they grow. In the following sections of this report, we will discuss how nonprofits can set criteria for healthy expansion, and how to adapt when challenges arise.

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22 Our Program Design costs are partially funded by farmer loan repayments (for later-stage innovation activities as they prepare to scale) and partially by donors (for earlier-stage activities that need more testing).
23 We calculate tablet financial ROI as benefits (cost savings from improved farmers per field officer ratio, and improvements to farmer repayment and retention) relative to costs (mobile data and depreciated hardware costs).
24 Farmers may only initially enroll a portion of their land in our program. Topping up encourages farmers to apply One Acre Fund practices to a greater percentage of their total land, thus increasing overall yields and incomes.
Determining How and Where to Expand

Deciding to scale and putting strong mechanisms in place is only half the battle – nonprofits also need to take a thorough, thoughtful approach when deciding which new markets to enter. One Acre Fund has rigorous criteria for selecting new countries and territories, and we use a multi-phased roll out. We developed our method from experience — the early failure of our pilot in Ghana (which was unsuccessful largely because we chose the wrong area to expand)\textsuperscript{25} pushed us to become much more systematic about how we handle growth.

Our criteria to judge whether or not we should trial our work in a new country or territory falls into four main categories: impact potential, likelihood of success, market size, and need. The factors within these categories will look different for every organization, but here are some examples of things One Acre Fund takes into account:

1. Impact Potential: We evaluate whether actual staple crop yields in a given region are less than their potential, and if so, by how much. This helps us determine how much value One Acre Fund’s program can add for farmers.

2. Likelihood of Success: We consider a number of factors, based on detailed reviews of what elements have disproportionately driven our success in early markets. Factors we take into account include climatic trends such as rainfall, demographic data such as population density, and macro conditions such as political stability and the potential for local community and government support.

3. Market Size: We investigate how many farm families could potentially benefit from our services within a given region.

4. Need: We use a tiered system to evaluate need. Tier 1 indicates a high proportion of farmers are chronically hungry; farming households are net-purchasers of staple foods and meal skipping is common. Tier 2 indicates a high proportion of farming families who are food secure but nutritionally deficient; malnutrition, acute hunger, migration, school absenteeism are still common. Tier 3 indicates a high proportion of farmers are pre-commercial; they own basic assets, but market gaps still prevent growth in productivity and income.\textsuperscript{26}

\textsuperscript{25}A number of factors contributed to the lack of success of our Ghana pilot, including choosing program areas where reliance on agriculture was relatively low and where environmental conditions (e.g., low rainfall) were not suitable for a maize-based program. See: “A Learning Experience: One Acre Fund Ghana Pilot,” One Acre Fund Insights Library, December 2014.

\textsuperscript{26}One Acre Fund generally focuses on Tiers 1 and 2, where donor funding can be the most catalytic. However, in recent years we have experimented with pre-commercial (Tier 3) farmers in Tier 1 and 2 countries, to see whether we could generate profits that cross-subsidize poorer farmers. This work is ongoing, and the jury is still out on whether this is feasible for our program.
We scout new countries and territories in three main phases. The first is desk research, where we evaluate potential expansion regions using many of the criteria listed above (e.g. demographic and weather data, dominant crops grown in the area, existing actors, and pain points in the market). If a region passes through this criteria, it advances to the next phase, which we call “boots on the ground.” During this stage, we send scouts to scope out potential locations, interview farmers, and consult with local stakeholders. Our Government Relations team also works with our expansion scouts to secure the proper permissions and operating licenses, and by “champion building” to create support at various levels of government. If we are confident that our program could be successful after our scouting work is finished, we begin the pilot phase.

Pilots look like miniature versions of our core program. We hire local staff to manage field operations and handle administrative functions, and then we go about enrolling farmers. First year pilots usually serve between 50 and 200 farmers. If after the first year we continue to see potential, we may expand our pilot in subsequent seasons to reach 500-3,000 families. Only after a pilot proves that it can be successful in terms of scalability, impact, and financial sustainability do we move forward with a full-scale launch.

Maintaining Healthy Growth

After a full-scale launch, it is important for countries to maintain sustainable, impactful trajectories as they grow. One Acre Fund uses the metric social return on investment (SROI) to measure our efficiency relative to our impact. We define SROI as the ratio between the incremental profits generated by our program (i.e., impact), and our net costs. For instance, if we were to generate $100 of impact per client at a net cost (program expenditures less farmer repayments) of $25 per client, we would achieve an SROI of 4. Thus, SROI reveals how productively One Acre Fund deploys donor resources; in our example, we would generate $4 in new farmer income for every donor dollar received.

While SROI is a highly effective metric, we realize that it does not always provide a full picture of program health and potential. Therefore, we developed the following frameworks to determine how rapidly to expand our geographies in the ensuing years after a full-scale launch:

- **Healthy Path Framework:** As we operate in a diverse range of countries, SROI must be contextualized to compare programs at different maturity and scale levels. For example, our program in Kenya is in its 14th year and serves over 400,000 farmers, while...
our Uganda program is only in its fourth year and serves 8,000 farmers. With many more years to improve cost efficiency and launch new products, our Kenya program has a built-in SROI advantage over Uganda.

To solve this problem, we developed the concept of a “healthy growth path,” which establishes SROI thresholds at different levels of scale and need. This allows us to measure how countries are performing relative to their program maturity. It also creates lower SROI expectations in the highest need markets (e.g. Tier 1 countries, as discussed in the section above) to reflect that farmers there have a lower starting point, and so $1 of impact has more value.

In the simplest sense, programs with SROI measurements above the healthy growth path (see Figure 6) represent prime opportunities for exploring faster growth, while programs that fall below may be better served by improving impact efficiency. For instance, our Kenya program has repeatedly generated SROIs above its healthy growth path, so in 2017, we challenged the program to grow even faster by inserting additional field staff in existing territories, more aggressively entering new districts, and more.27 Another example is our program in Rwanda. In the same year, when we saw it had fallen below its healthy growth path, we encouraged leaders to focus on efficiency before additional growth, and our team responded by identifying nearly two-dozen cost-saving initiatives that collectively reduced cost per farmer (thereby increasing SROI) by more than 20 percent. In the ensuing years, Rwanda has resumed its strong double-digit annual growth path.

• **Full Country Scorecard:** This is a second framework we developed in more recent years after realizing there are additional, below-the-surface factors that need to be considered when making growth decisions. The Full Country Scorecard considers scale, SROI, and need, but then adds in a range of other factors. Additional criteria for scaling in our Full Country Scorecard include customer satisfaction (measured through farmer repayment rates, group requalification, and retention of clients from year to year), staff bench and diversity, financial controls, relationships with local and national governments, and non-financial impacts (such as improvements in nutrition and soil health). Like our Healthy Path Framework, this more holistic basket of measures has supported “smarter scaling.”

27 As a result of this push for growth, our Kenya program grew by 56% between 2017 and 2018 to reach 364,000 farmers. We have continued to expand in Kenya and reached 408,500 families through our core program in 2019.
Overcoming Setbacks

Challenges are inevitable for any organization. One Acre Fund has “continual learning” as one of our core values, and we seek to learn from every setback. Below, we discuss some examples of how One Acre Fund’s scaling work has evolved to address new challenges and changing conditions.

Maintain Focus, But Beware of Blind Spots

As stated in the Designing for Scale section of this report, maintaining focus is an essential ingredient for scale, as it enables you to build expertise in certain areas, helping forge relationships and credibility. However, it is also important to step back and evaluate your approach from time to time, to ensure that your community’s needs or other circumstances have not changed.

For example, when One Acre Fund has missed scale targets in recent years, it has generally been because of external factors such as bad weather or diseases that disproportionately affect staple crops. For many years, we maintained a laser-sharp focus on helping farmers improve their yields for staple crops, primarily maize.28 We now realize that investing more in crop and income diversification during our early years would have helped mitigate some recent challenges. As such, we are increasing our focus on improving resilience through crop diversification and commercialization to enable farmers to be better prepared for single-season shocks. We now provide support for a range of vegetables, legumes, and grains, and we are trialing cash crops such as macadamia and soybeans, as well as poultry, in some countries.

It is also important to pay attention to client preferences, which can change over time. In the past, One Acre Fund was able to achieve such strong scalability as a result of focusing on just one channel, direct service. However, we now see the market shifting in terms of how customers prefer to access information and services. In Kenya, for example, farmers are increasingly interested and capable of participating in markets via their mobile phones. 29 We are now investing in new technology to enable farmers to access information such as weather and market prices digitally in real time.

Enlist Partners as You Grow

Social enterprises generally start by scaling outside of existing systems, keeping a low profile. But when a critical mass is reached, the government becomes a crucial stakeholder in success. In some cases, One Acre Fund could have enlisted government support at an earlier stage to ensure smoother expansion. In recent years,

28 We intentionally chose this focus because our farmer research showed that in the highly remote villages where we operate, improving staple crop productivity provides the best risk/return tradeoff, versus introducing new crops that farmers are unfamiliar with and where profitability depends on quality grading, complex market access relationships, and other factors.
29 We see Africa’s growing population of young farmers as a potential catalyst for exploring new markets. Younger farmers are often more connected to technology and markets than their parents, and less set on farming staple crops.
we have made much bigger investments in government relations, which have paved the way for stronger scale and created new opportunities for partnerships and policy work (see Systems Change sidebar on page 5).

**Innovate With Rigor**

Innovation can be a key driver of scale, as discussed in the Designing for Scale section of this report, but it is important to test new ideas thoroughly before expanding them program-wide. In One Acre Fund’s early years, our approach was often to scale innovations quickly when we found an exciting idea, which led to some failures that lowered our financial sustainability and impact. Since then, we have put in place a sophisticated, multi-phase process for trialing new ideas – both in terms of processes for scaling (see Program Design section on page 9) and new products we are considering offering to farmers. Our trial process is not perfect – phased roll-out of innovations to growing numbers of farmers over multiple seasons takes time. We are still iterating our approach (and at times have skipped over certain phases for extremely promising projects), in order to maintain our rigorous criteria while not holding back high-potential interventions.

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30 One example is One Acre Fund’s failed passion fruit project in 2008-09. At the time, we saw strong profit potential for farmers in passion fruit, so we developed a tree nursery and distributed 10,000 seedlings to farmers in Kenya. However, farmers were not familiar with growing this crop, and we underestimated the cost and complexity of distribution (e.g. seedlings were fragile and easily damaged). About 50% of farmers failed to grow passion fruit successfully. We soon scrapped the project, but we learned an important lesson about listening to farmers and only providing support for crops they want to grow.
Case Studies:  
One Acre Fund’s Approach to Scaling in Uganda and Malawi

Uganda and Malawi are One Acre Fund’s newest full-scale program countries - after two years as pilots, both countries fully launched in 2016. Conditions seemed ripe for piloting and ultimately launching due to a number of factors: our research showed that 1.9 million families in Malawi and 1.3 million in Uganda could potentially benefit from our services, and low maize yields and high levels of household hunger in rural areas meant that our work could add value for farming families.

While our Uganda and Malawi programs have seen some successes, both also faced a number of challenges in the seasons following their launches. Our experience expanding in both countries led to valuable lessons, which we hope will serve other organizations seeking to grow in difficult or changing environments.

Initial Launches: Successes and Challenges
Both Uganda and Malawi showed strong potential during the pilot phase. Our pilot in southeastern Uganda began in 2014, and generated very good impact in its first year – the 150 farmers who participated saw a 300% increase in their maize yields, on average. Our pilot in southern Malawi saw similar success, with the 70 families who enrolled in the first year nearly doubling their farm incomes. Both pilots expanded significantly in their second year (reaching 900-1,000 farmers each) and experienced another season of solid impact, which encouraged us to
fully launch both programs in 2016. Since the programs launched, we have achieved some notable successes:

- **Uganda:** Our program has continued to provide strong yield improvements to clients, relative to their non-enrolled neighbors. One driving factor has been that we began offering improved maize seeds that are resistant to striga, a parasitic weed that can cause 50%+ crop loss. Striga-resistant seed has been one of the most successful new seed variety rollouts in One Acre Fund’s history; in 2018, for example, our clients’ maize yields were on average 150% higher than control farmers.31 In addition, our Uganda program has had strong successes in government relations, securing Memorandums of Understanding in all districts and government champions at the national level. In our main operational district, the government has been especially appreciative of our work to combat striga, as we disseminate striga prevention and control materials through government extension officers.

- **Malawi:** Since our Malawi program launched, we experienced strong demand from farmers, with our average Field Officer enrolling about 180 farmers every year (see page 18 for an update on how this number increased in 2019). We have also seen above-target relative impact, when calculated as a percentage gain in profits our clients achieved compared to their non-enrolled neighbors on activities we supported.32 Despite Malawi’s high poverty rates, we have consistently achieved $100+ order sizes and a 35% gross margin.

But in spite of these successes, farmers have experienced low profitability across multiple seasons, due largely to a number of external factors. Extreme weather conditions have made farming more difficult across Sub-Saharan Africa, and both Uganda and Malawi have suffered from poorly timed rains, outright droughts, and crop pests.33 Problems were compounded by our program’s over reliance on maize, a crop that is highly sensitive to drought. Still, even in years with good harvests, strong incomes are not guaranteed – in 2018, for example, historically low maize prices in both Uganda and Malawi hurt profits for all farmers. These challenges greatly reduced our absolute dollar impact (measured in dollars of additional income gained per family), and ensuing farmer cash constraints led to low loan repayment rates, hurting our financial sustainability.

In addition, some program-specific issues also contributed to lower operational performance. Client surveys in Uganda indicated that our product offerings (both in terms of the minimum acreage size we required and our mix of crop varieties) were not as compelling to farmers as we initially hoped, limiting demand and our ability to scale. Turnover on our leadership teams in both Malawi and Uganda also led to inconsistent strategy and performance culture challenges.

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31 Represents yields on land enrolled in One Acre Fund, compared with neighbors who did not enroll.
32 For example, in 2017 One Acre Fund farmers saw 71% higher profits than their non-enrolled neighbors on supported activities. In 2018, this result increased to a 150% gain.
33 Malawi is particularly vulnerable to climatic shocks. Dry weather reduced crop yields in both 2016 and 2018. Farmers have also experienced infestations of invasive fall armyworms, a pest that can reduce crop yields.
Evolving Approach

As stated previously in this report, One Acre Fund does not want to scale in the absence of impact depth, so in 2019, we chose to temporarily contract our footprint in Uganda\(^{34}\) and pause growth in Malawi,\(^{35}\) in order to focus on improving our impact and operational performance. We made this decision using our Healthy Path Framework and Full Country Scorecards (see Maintaining Healthy Growth on page 12), which signaled the need to halt growth to improve our SROI (i.e. increase our impact and reduce net costs for serving farmers). We have been fortunate in that our partners, such as USAID, which supported our Malawi and Uganda programs, were aligned with our vision and willing to serve as thought partners as we modified our approach. Our experience shows how valuable it can be when partners support “smart scaling,” by encouraging nonprofits to transparently report progress and expressing openness to the dialogue of whether scaling is the right call at a given moment. Below are some examples of ways our Uganda and Malawi programs are evolving:

- **Uganda:** Our program is showing strong signs of improving impact and our customer value proposition. In 2020, we are trialing several changes, including improved product offerings,\(^{36}\) adding a second season,\(^{37}\) and reducing our fertilizer micro-dosing recommendations\(^{38}\) to help lower the prices farmers pay for our program. We expect to continue refining our approach and improving our impact through next year, with the goal of resuming outward growth in 2022.

- **Malawi:** We saw a number of notable improvements in 2019. Impact per farmer doubled, in part because we introduced a new tree-planting program. Farmer loan repayment rates also increased to 93% from 85% the prior year. In addition, new digital tools (e.g. mobile money systems to facilitate loan repayment and tablets for our Field Officers) helped increase our productivity. The number of farmers per Field Officer (one of our key efficiency metrics) rose from 175 to 241. With these successes, we are resuming outward expansion as we enter the 2020 season.

Lessons Learned

Challenges in Uganda and Malawi taught us a number of important lessons, including about the tradeoff between replication and adaptation. As stated previously in this report, if an organization has a model that works, there is often a strong desire to replicate it quickly, in order to deliver solutions

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\(^{34}\) We downsized from four to two districts in Uganda, and cut more than 50% of our underperforming sites to set a precedent to both farmers and staff members that strong results are necessary for ongoing service and future growth. Our Uganda program served a total of 8,000 farmers in 2019, down from 10,700 in the prior year.

\(^{35}\) We paused our outward expansion into new areas of Malawi in 2019; however, we ultimately experienced some modest scale growth due to strong farmer demand in our existing sites (where enrollment and client density increased year-on-year).

\(^{36}\) Beans, groundnut, Sukuma (a local vegetable), cookstoves, hoes, and gumboots are all new for 2020.

\(^{37}\) Uganda’s climate allows for two annual growing seasons. Traditionally, One Acre Fund only delivered inputs for the long-rains season, when crops are planted in March-April. In 2020, we will also serve the short-rains season, when crops are planted in September-October.

\(^{38}\) One Acre Fund constantly reevaluates in each market our recommendation of the optimal amount of fertilizer for farmers to hand apply to each plant via micro-dosing. In the case of Uganda, data collected over the past three years indicated our fertilizer dosing recommendation per plant was too high (i.e., the increased cost to the farmer did not justify the added yield benefit), and so our 2020 package includes a reduced recommended application rate per plant.
to more people and communities who need it. But at the same time, this desire for replication needs to be balanced with the importance of adapting to new contexts. One Acre Fund did make several adaptations in Uganda and Malawi – for example, we offered striga-resistant seed in Uganda, and we provided specialized climate-smart farming training to smallholders in Malawi. However, the challenges we encountered in both countries made it clear that even more adaptation was needed than we initially realized.

Figuring out farmer demand should be a critical first step when scaling in new geographic or demographic contexts. Our experience has shown that if you don’t give clients what they want, it is very difficult to deliver impact at scale. We hope that recent and ongoing adjustments to our programs in Uganda and Malawi will improve our value proposition for farmers, and ultimately enable us to maintain strong trajectories of growth.
**Scale Checklist**

Over the past 14 years, One Acre Fund has grown from a small enterprise serving just 38 farmers in Kenya, to a mature nonprofit reaching 1 million families in our core program and 2.4 million farmer touchpoints through partnerships. Our scale journey has not been perfect – we have encountered a number of challenges along the way that served as valuable learning opportunities and helped shape our approach. Based on our experience, we would highlight the following guidance for organizations seeking to scale:

### Designing a Strong Model

- **Set a goal so bold that it’s on the edge of believability, and then reverse engineer how to get there.**
  - **How This Applies:** Bold goals help unite teams around one exciting target and create more empowering cultures. In One Acre Fund’s case, “1 million farmers by 2020” became a rallying cry for our team, and forced us to think beyond the incremental progress that comes with traditional annual planning.

- **Start out with a direct service model to build credibility and relationships. Then you can more easily pivot to a partnership structure to expand market share and achieve even more transformative scale.**
  - **How This Applies:** Evaluate the entire ecosystem your customers exist within. Are there gaps in the market that you could fill, leveraging the competencies of your core work? In One Acre Fund’s case, in spite of our growth, we are still only directly serving about 2 percent of the estimated 50 million smallholder farmers in Africa. We knew that reaching all of these families through our core program would be extremely difficult, so we began exploring new partnerships as a way to expand market share. Our Systems Change unit now reaches 2.4 million farmer touchpoints across multiple programs, including seed, agroforestry, farm extension, and rural retail.

- **When designing your program model, think about what aspects of your work you can systematize for scale.**
  - **How This Applies:** Creating cookie-cutter processes that can be easily replicated can help facilitate faster growth. One Acre Fund’s approach is modeled after for-profit companies like McDonald’s and Starbucks, which have grown by opening standardized retail outlets. In our case, we create “district operating units” that have similar staffing structures and use the same procedures for repayment collection, training, and input delivery.

- **Regularly “go to gemba” by spending time with customers and talking with staff at all levels.**
  - **How This Applies:** “Going to gemba” will help you scale by keeping leaders informed about fast-changing circumstances on the ground that can sometimes require programs to adapt. In One Acre Fund’s case, all staff commit to spending time in farmers’ fields or the “fields” of the functions they support (such as a senior logistics leader visiting a warehouse). Ultimately, this helps us offer services that better fit farmers’ needs, creating strong demand for our program and enabling growth year after year.
Make smart investments in fundraising across multiple donor categories to drive strategic growth.

- **How This Applies:** If possible, prioritize investment in your business development team by recruiting relationship managers with non-overlapping networks by theme and geography. In One Acre Fund’s case, we have invested in building evidence about our program’s impact across a range of themes – such as food security, climate, nutrition, and gender – allowing us to fundraise within a variety of thematic areas.

**Prioritizing Impact and Efficiency**

- **Make smart investments in fundraising across multiple donor categories to drive strategic growth.**

**Prioritizing Impact and Efficiency**

- **How This Applies:** Increasing client density in areas where you already operate is often a less expensive way to scale than growing outward into new regions. In One Acre Fund’s case, our Program Design team looks for ways to scale, often through technology, while driving down costs.

- **Growth is not meaningful in the absence of impact. Commitment to rigorous impact measurement will ensure that your work is making a difference, and that you are adapting to challenges and changing conditions.**

- **How This Applies:** When deciding whether to scale, it is important to consider your efficiency relative to your impact. One Acre Fund uses the metric social return on investment (SROI), which shows the ratio between the incremental profits generated by our program (i.e., our impact) and our net costs. SROI reveals how productively One Acre Fund deploys donor resources. It also informs our resource allocation decisions (we want to invest in areas with strong SROI) and highlights areas where we need to improve.

**LESSONS FOR FUNDERS**

We hope that this report provides valuable lessons for implementing organizations as well as the funders that support them. We would humbly offer the following advice for donors:

- **Have the patience to be flexible with milestones when a rapidly scaling organization wants to temporarily hit the brakes to improve impact or efficiency.**
  - Donors can be valuable thought partners when they encourage organizations to transparently report progress and express openness to dialogue on whether rapid scaling is the right strategy at a particular time.

- **Ask organizations to identify major costs or limiters to scale on the non-program side, and then support those functions.**
  - Often small, strategic investments at particular moments in a nonprofit’s supporting functions can play an outside role in scalability. Examples could be investing in a new finance or human resources information system, building up an organization’s fundraising team, or strengthening recruiting functions.

- **Encourage investees to conceive of scale not just as direct reach, but as total proportion of the market served.**
  - Concurrently, donors should be open to funding “systems change” work where impact takes longer and is inherently less attributable to one organization’s success. “Systems change” is crucial to creating durable impact, because it often involves governments, the private sector, and the community, and reaches across the whole market (as opposed to the small percentage of a population that any direct service model can reach).
Focusing on financial sustainability can be a fantastic driver of efficiency and scalability, but you should carefully monitor whether 100% financial sustainability is appropriate for your market.

- **How This Applies:** Operating at a high degree of financial sustainability frees up donor funding for scale and innovations, instead of operations. However, getting to full financial breakeven may not be appropriate for all nonprofit social enterprises. In One Acre Fund’s case, we continue to utilize donor funding in part because we are committed to working with extreme and ultra-poor populations, where it is challenging to fully pull the levers needed to reach full financial breakeven.

### Ensuring Healthy Growth

- **How This Applies:** When deciding where and how to expand, weigh your potential impact, the likelihood of success, market size, and need-level. Scout new expansion areas thoroughly and try a pilot before making a formal commitment to launch full operations.

- **How This Applies:** In addition to the factors above, figuring out customer demand should also be a critical first step when scaling in new geographic or demographic contexts. One Acre Fund’s experience has shown that if you don’t give clients what they want, it is very difficult to deliver impact at scale.

- **How This Applies:** Carefully monitor market trends, changing client demographics and preferences, and technology in order to innovate beyond your current business model.

- **How This Applies:** While maintaining focus is an essential ingredient for scale, it is also important to evaluate your approach from time to time to ensure that your community’s needs have not changed. In One Acre Fund’s case, we could have done more in early years to diversify our crop offerings, instead of focusing mostly on staple crops, to help farmers become more resilient to climate volatility.

- **How This Applies:** Ensure that you don’t scale beyond your operational readiness by sketching out a healthy path for growth.

The magnitude of social problems facing the world today require bold, scalable solutions. As One Acre Fund looks ahead to the next decade, we expect to continue pursuing aggressive expansion. Hunger and extreme poverty remain widespread in smallholder farming communities, yet we believe these problems are solvable within our lifetimes. We hope the lessons contained in this report will encourage other organizations to take an enterprising approach to scaling, and deliver impactful models to many more people who need them most.