



Going to Scale

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Agenda

- Social Enterprise vs. Social Entrepreneurship
- Going to Scale
 - What is Scale
 - Models of Scale
 - Process to Scale
 - Growth Capital
 - Sustainability
 - Examples and Case Studies
- Austin vs. the Nation in Social Innovation
- Social Velocity's Role

Social Enterprise

- Defined as: “a business that has a social mission in addition to a profit motive -- a double bottom line”
- Some have grown to include a third bottom line: environmental performance
- Includes anything along the spectrum from nonprofit entities that run a money-making business to for-profit entities that include a social mission in their business
- Some examples: Ben and Jerry’s, Timberland, Greyston Bakery, wind energy

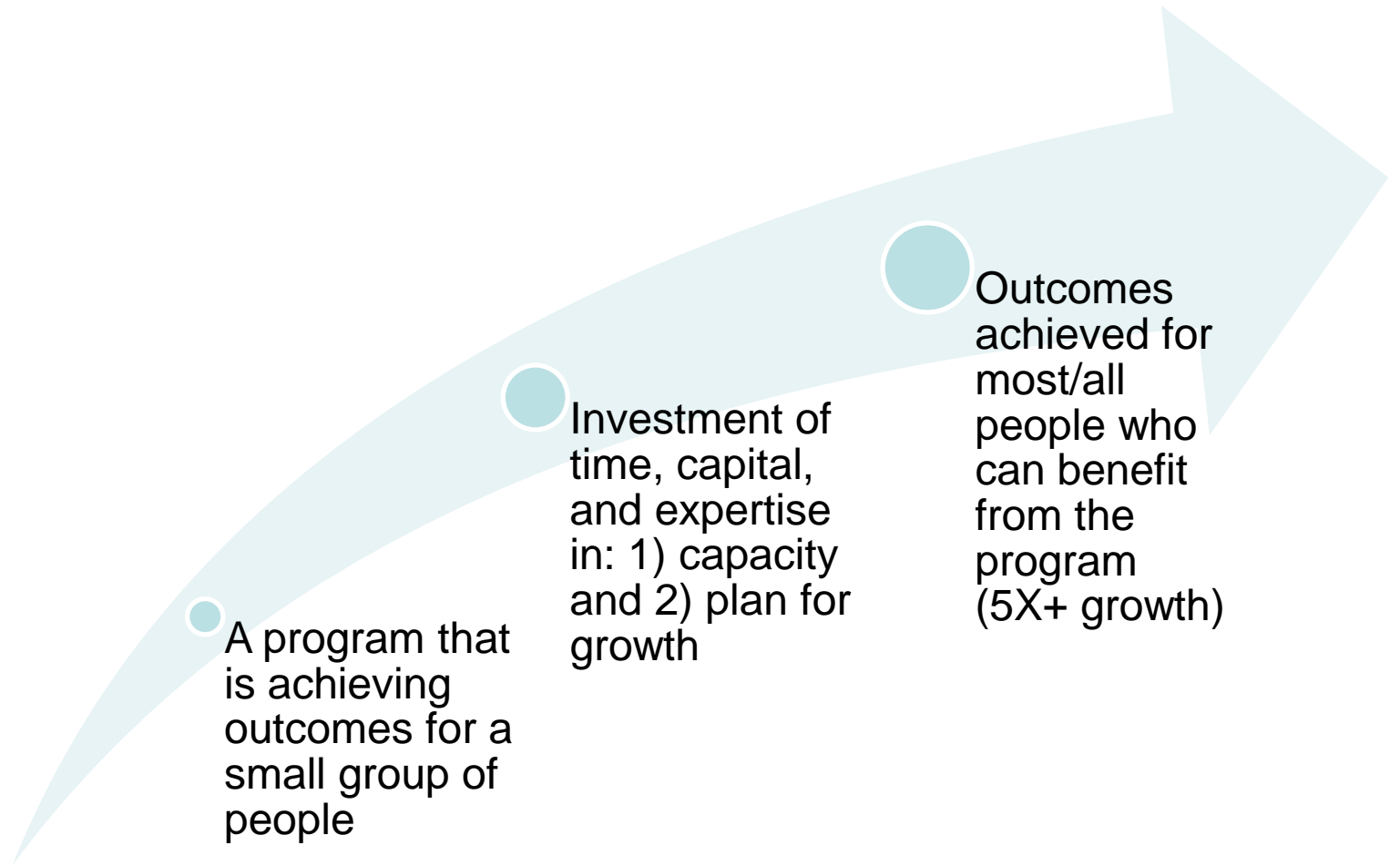


Social Entrepreneurship

- Defined as: “Pattern changing ideas for solving persistent social problems”
- Uses entrepreneurial principles to bring results-oriented solutions to scale
- Instead of ameliorating the symptoms of a social problem, the problem is attacked, and solved, at the root cause
- Some examples: KIPP, City Year, Citizen Schools, Teach for America
- Differs from “Social Service Provision” organizations, which do not:
 - scale
 - solve a problem, or
 - change a system

SCALE

What is Scale



A program that is achieving outcomes for a small group of people

Investment of time, capital, and expertise in: 1) capacity and 2) plan for growth

Outcomes achieved for most/all people who can benefit from the program (5X+ growth)



Ways to Scale

- **National/Regional Model**
 - National/regional headquarters organization recruits, trains, scales
 - Adheres to a specific program model, with centralized control
 - Teach for America, Citizen Schools
- **Franchise Model**
 - Import/export a program into a local market, recruit local board, staff, resources
 - Mold the model to the local market, creators of original model have less control
 - Boston's Greenlight Fund, City Year
- **Best Practices Model**
 - Evangelize best practices, other markets create their own program
 - Very customized, only the basic concepts of the program are kept
 - Jane Addams Hull House

Process to Scale

1. Conduct readiness assessment
2. Create growth plan
3. Secure growth capital
4. Implement the growth plan



1. Readiness Assessment: Program

- Current program is significantly, positively and measurably affecting outcomes
- There is a clear definition of growth
 - What does “scale” mean for the program?
 - Who could benefit from the program?
 - How many of these people are reachable via this model?
- The program is scalable: the inputs required can be scaled



1. Readiness Assessment: Organization

Leadership/Vision

- Org. leader can excite the team, partners, funders toward a larger vision
- Board leadership invested in growth and willing to contribute to get there
- Management team can implement a growth plan
- Gaps in needed skill sets identified and able to be filled

Capacity

- Mission, vision and strategy planning strong and compelling
- Financial management clear and strong
- Fund development strong and sustainable with room to grow
- Relationships to growth capital exist
- Marketing efforts and brand strong
- Human resources, IT, legal affairs all strong

2. Create Growth Plan

A specific, comprehensive, strategic plan for growth, including:

- Sustainable business model
- Goals and objectives of growth
- Timeline with implementation plan
- Infrastructure required
- Resources required
- Strategic management expertise

3. SECURE GROWTH CAPITAL



Program Related Investments

- Loan to nonprofit from foundation at low or no interest
- Can be forgiven at the end of the term, if the foundation desires
- Borrower should have potential to generate income to repay the loan
- Usually used for affordable housing, community development, capital projects, preserving habitats
- New idea: use PRIs to build revenue engine/sustainability of a nonprofit



Venture Philanthropy/ Growth Capital

- Uses the principles of venture capital to scale impact
- Provides growth capital (not maintenance capital) to the social entrepreneur
 - The capital BUILDS organizations instead of BUYS services
- Large (100K+) multi-year investments
- Metrics-based
- Investments instead of contributions/donations
- Achieves a significant Social Return on Investment
- Large-scale, accelerated growth
 - 5X-40X growth
 - 3-5 year window
 - From serving 500 children to 2,500+ children



Social/Mission-Related Investing

- Defined as: “a financial investment strategy that maximizes BOTH financial and social return.”
- Investment groups like Good Capital and Investor’s Circle where wealthy individuals are given investment options with double bottom lines.
- Social mutual funds like Calvert Fund, Portfolio 21.
- Where a foundation invests part of its endowment in social businesses (like clean energy) that fit the foundation’s mission, in order to make both a financial and social return.

Continuum of Capital

Pure Mission

Pure Profit



PRIs

Grants

Growth Capital

Product/Service Sales

Social Investing

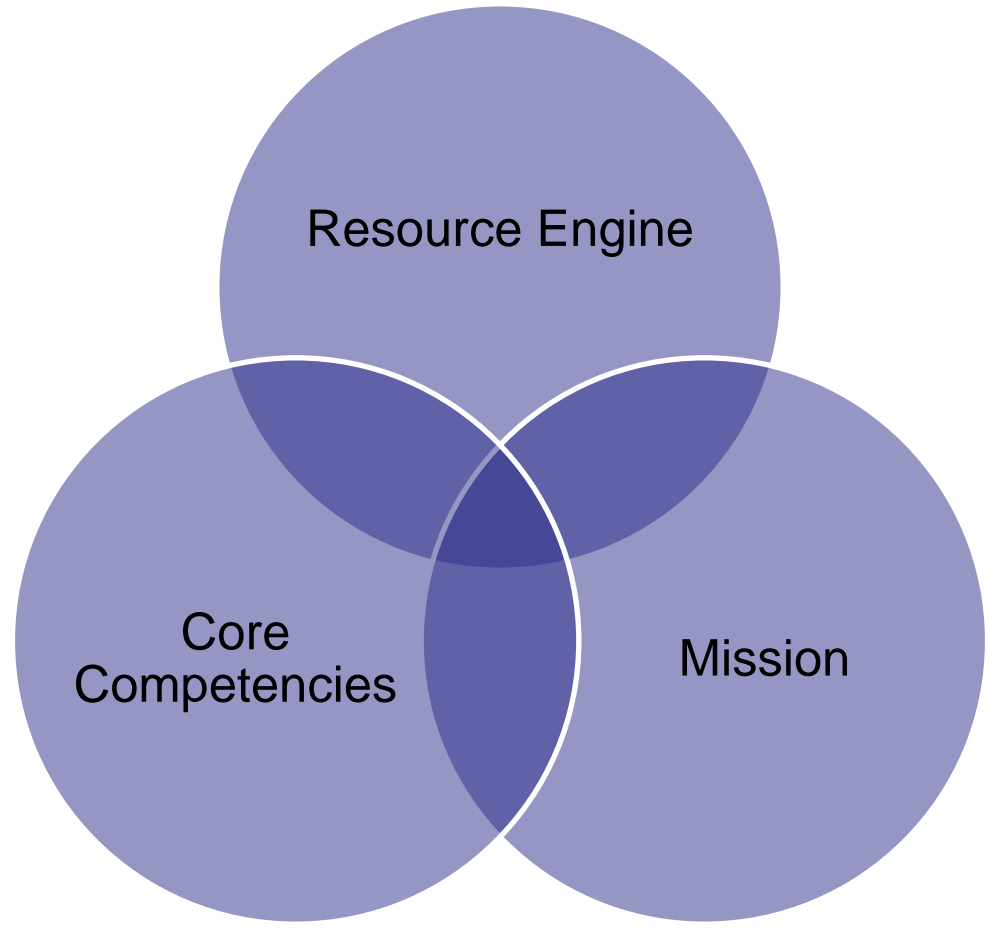
VC/Angels



4. Implement Plan Towards Sustainability

In order to achieve sustainability, the resource engine (money, talent, other) must be integrated with and complementary to the mission and core competencies of the organization.

Elements of Sustainability





Sustainability Case Study

FORGE

- Nonprofit working with refugees in African camps to promote peace and social stability
- They create and run programs to teach skills, community building, economic development
- Old revenue model: college students creating and running programs must raise money for their programs
- New revenue model: Kiva-type online giving to projects
- Results: \$100K in debt and may go under



Examples of Scale

Social Entrepreneur	Venture Funder	# of Years in Fund	\$ Invested	Results
BELL (afterschool program for at-risk youth)	New Profit	5	\$990K	<ul style="list-style-type: none"> • Grew from 925 to 6,900 kids • 100% of kids improved on standardized tests • Revenue grew from \$2.5M to \$16.2 M
See Forever Fdtn (multi-campus charter school for at-risk students)	Venture Philanthropy Partners	3.5	\$1.4M	<ul style="list-style-type: none"> • Grew students served from 85 to 230 • 92% graduated high school • Grew revenue from \$3M to \$7.2M
New Leaders for New Schools (train non-traditional, management expertise candidates to be school principals)	Chicago Public Education Fund	4	\$790K	<ul style="list-style-type: none"> • 90 leaders trained • 51 leaders working as principals or asst principals in Chicago Public Schools



Scale Case Study

Teach for America

- Problem: Crumbling school districts across the country
- Solution: Send recent college graduates into low performing public schools to teach for 2 years, increasing student engagement, performance
- Since 1990, 17,000 teachers have taught 2.5 million students in 26 school districts improving achievement outcomes and future trajectories

AUSTIN VS. THE NATION



Social Innovation Around the Country

City	Social Entrepreneurs	Social Enterprise	PRIs	Venture Philanthropy/ Growth Capital	Social/Mission-Related Investing
Portland, OR	Low	Medium	Low	Low	Medium
San Francisco	High	High	Medium	High	High
Boston	High	High	Medium	High	Medium
Pittsburgh	Medium	Medium	Low	Medium	Low
Austin	Low	Low	Low	None	Low



Austin's Social Sector

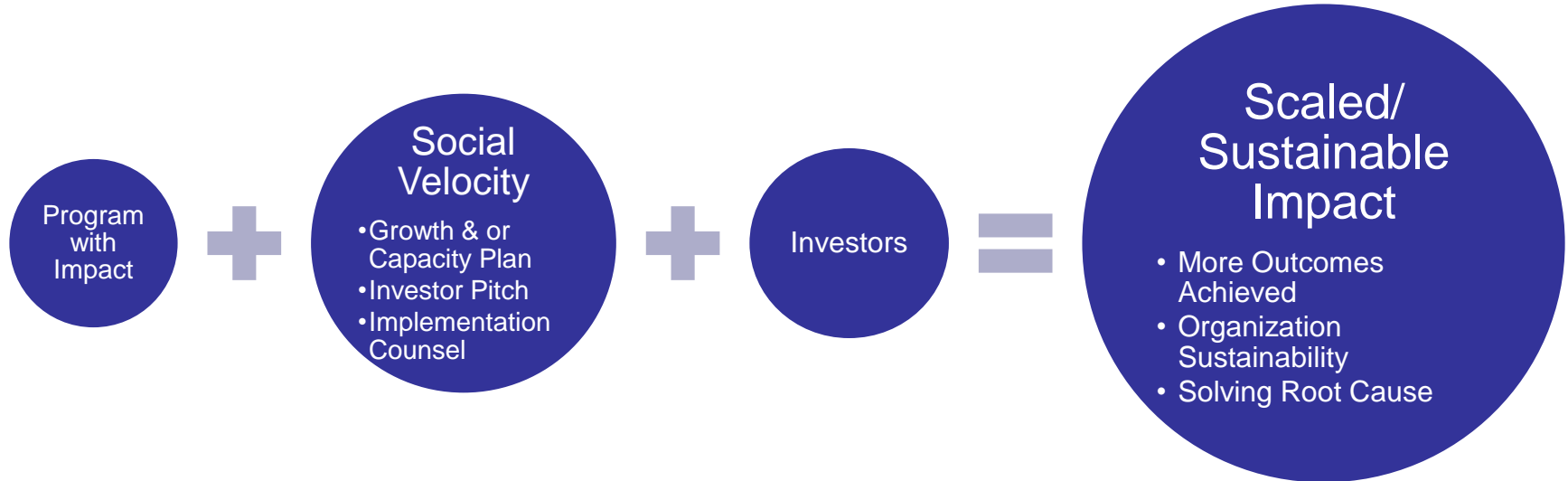
Nonprofits

- Highly fragmented – many small nonprofits
- Mostly symptoms, not solutions, focused
- Undercapitalized – small, one-year donations
- Few successful national models

Philanthropy

- Small donor pool
- Enormous untapped wealth
- Untapped venture & entrepreneurial expertise
- Growing recognition of need for capacity, scale, solutions

Role of Social Velocity





Social Velocity Services

- **Scale Impact**

- Assess program's ability to scale
- Create business plan to achieve growth
- Create pitch to secure growth capital for plan
- Help implement business plan to success

- **Create Sustainable Resource Engine**

- Create comprehensive, diversified revenue plan
- Help new investors understand organization's needs
- Create or grow earned income, major gifts, annual fund, corporate support
- Grow board fundraising involvement
- Recruit and train top talent