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PubPol 671: Policy & Management in the Nonprofit Sector

Lecture 10:

Scaling Up

Neel Hajra



Note – Characterizing Lobbying Costs

- OMB Circular A-122 (“Cost Principles for Nonprofit Organizations”):
 - Circular allows for inclusion of some lobbying costs as “direct” expenses
 - I will speak to some auditors to learn more...



Growth: Public Sector

- Pro's?
- Con's?



Growth: For-Profit Sector

- Pro's?
- Con's?



Growth: Nonprofit Sector

- Pro's?
- Con's?



Nonprofit Growth: “The Success Paradox”

- Double bottom line: Mission usually DRAINS resource
- So more mission = less resource!!



The experimentation principle

- If part of the role of the nonprofit sector is experimentation / innovation, then scaling is critical



What Can Be Grown?

- Organizational models
- Programs
- Principles



Why Grow?

- Mission / Impact
- Sustainability
- Legitimacy (feeds into first two)



Why Grow?: Impact

- **Potential Benefits**
 - More service = more impact
 - Larger org = higher capacity
- **Potential Risks**
 - Getting distracted from mission
 - Diluting original nexus of impact



Why Grow?: Funding

- Potential Benefits
 - Larger
 - More
- Potential Risks
 - Potential loss of core funders!
 - Can be harder to maintain sustainability



Why Grow?: Legitimacy

- Potential Benefits
 - Fundraising
 - For “place at the table”
 - For validation of mission/vision
- Potential Risks
 - Ego-driven decisions
 - Does org size always = legitimate?



Models for Scaling Up

- Dissemination
- Affiliation
- Growth/Branching



Model: Dissemination

- Pro's
 - Relatively easy
 - Relatively cheap
 - Leverages web
- Con's
 - Control
 - Revenue
 - Impact (?)



Model: Affiliation

- (a.k.a. franchising)
- Pro's
 - Less central pressure
 - Lower cost of expansion
 - Leverage local goodwill/resources
- Con's
 - Control / Reliance on others
 - Management and coordination
 - Brand diffusion



Model: Growth/Branching

- Pro's
 - Control
 - Leverage existing talent
 - Economies of scale
- Con's
 - Expensive
 - HR
 - Competition



5 R's - Readiness

- Efficient, proven, well-run?
- Understand key activities
- Strong theory of change
- ID potential constraints
- ID growth potential
- Infrastructure
- Talent
- Managing complexity (standardization)
- **CLASSIC PITFALL: Ego and optimism!!!**



5 R's - Receptivity

- Market analysis!
- Allies
- Competitors
- **CLASSIC PITFALL: What you're told isn't the always the same as reality**



5 R's - Resources

- Funders and stakeholders at both ends
- Invest in key areas of need
- Financial structure / business model
- **CLASSIC PITFALL: Easy to underestimate resource needs**



5 R's - Risks

- Scenario planning
- Wind-down strategy
- Check-in points
- **CLASSIC PITFALL: Easy to underestimate and under-investigate risks**

5 R's - Returns

- Financial?
- Mission?
- **CLASSIC PITFALL: Assuming $1 + 1 = 2$ 😊**



Policy: Growth

- Is growth imperative?
- Should we favor or disfavor growth?
- Role of federal and state governments



Policy: Scale = Government?

- When is the public sector the best vehicle for large scale impact?
- How does that happen?
- What is your bias?



NEXT: STEPPINGSTONE



Why Grow Steppingstone?

- Greater Impact
- Employee Retention and “Vibrancy”
- Other considerations:
 - Funding
 - Legitimacy



Whether to Grow Steppingstone?

- Market Analysis: 675 potential scholars!
- Market Analysis: Space at high quality schools



Challenges of Growing Steppingstone

- Maintaining quality
- Growing program staff
- Developing true management team (and moving beyond “steering clear of thunderstorms and avoiding ice”)
- Growing facilities
- I.T.
- H.R. processes
- Cost: \$15.6 million over 5 years!



Steppingstone Pitfalls

- Marketing staff
 - Marketing function
 - “Strategic” function
 - Different mindset!



Steppingstone Keys to Success

- Good model, recognition of key activities
- Fundraising
- Infrastructure
- Planning, planning, planning!!



Steppingstone Today

- From 2008 Annual Report: “Nearly doubled the scholars served in Boston, to 900”
- Expanded to Philadelphia and Hartford
- Started the National Partnership for Education Access



NEXT: KABOOM!



Unspoken Benefit of KABOOM!'s Open Source Model

- Fundraising!



NEXT: YouthBuild



“Full Scale” and Cost?

- 50,000 students/year (6x increase) in 850 communities (4x increase)
- Federal: \$1 billion annual (17x increase)
- States/Local: \$250 annual (current level unstated)
- Establish \$85 million growth fund



Elements of Growth Fund

- Federal and state advocacy
- Quality assurance
- Innovation
- Research on program impact
- Strengthen management capacity to handle growth
- Strategic grants to local programs.

Public-Private Scaling Partnership

 Rona Proudfoot, Wikimedia Commons



“...the federal government acts as the ocean liner that manages the taxpayers’ funds, and we are the flexible tugboat that can move quickly to correct mistakes, support innovation, and maintain inspiration at the grass roots.”



Stoneman, Stanford Social Innovation Review