

Education
Grantee
Convening
2009

Challenges and Considerations in Scaling Nonprofit Organizations

This report presents key findings from the W. Clement and Jessie V. Stone Foundation's 2009 convening of its education grantees, held in Chicago, Ill., on October 21-22, 2009. Education First Consulting helped plan and facilitate the meeting and prepared this summary.

W. Clement and
Jessie V. Stone
Foundation

Overview and Meeting Design

This report presents the outcomes and key findings from the W. Clement & Jessie V. Stone Foundation's 2009 convening of its education grantees, held in Chicago, Ill., on October 21-22, 2009.

The meeting theme—"Scaling Up in the Nonprofit Sector"—gave grantees an opportunity to think deeply about the challenges and considerations involved in scaling up their organizations' work.

The meeting built upon the Foundation's successful 2008 convening, incorporating feedback from participants who said they valued the opportunity to meet with nonprofit leaders doing similar work and facing similar challenges. Many grantees also had told the Foundation they were beginning to struggle with issues of scale and sustainability and could use help sorting out next steps and successful scaling strategies.

The meeting had two goals:

- Provide a framework for identifying and prioritizing the scaling and sustainability challenges they face.
- Offer advice to organizations struggling with issues of scale, business planning and internal infrastructure—drawn from the advice of peer grantees who had already or were in the midst of tackling these issues.

The convening was attended by 20 grantees from four cities across the country, all of whom are leaders in the field of education. (*See Appendix 1 for a list of participants.*) Speakers and experts presenting at the meeting included management consultants and some of the Foundation's own grantees who have put in place plans to scale. (*See Appendix 2 for a list of speakers and their bios.*)

The convening's format aimed to balance information dissemination with rich group discussion and debate. Organized into five main sections, it included presentations, large and small group discussions, and time for grantees to pose pressing questions:

- The convening opened with a detailed presentation and large group discussion, "Considerations, Challenges and Advice for Scaling Nonprofits," led by Roger King, a nonprofit management consultant who specializes in helping nonprofits grow.
- Next, three of the Foundation's grantees presented the growth stories of their own organizations, reflecting on successes and challenges they have faced—and continue to face—in the process of scaling up.
- Small group work sessions encouraged participants to discuss and debate scaling-up strategies—including when it makes sense for an organization to scale—in more detail and to consider their organizations' value propositions.

About the Stone Foundation

The W. Clement & Jessie V. Stone Foundation is committed to providing educational and developmental opportunities to disadvantaged children and young people that enable them to fulfill their potential. The Foundation makes grants in the areas of education, early childhood development and youth development; its education grants emphasize teacher quality and principal leadership.

Based in San Francisco, the Foundation concentrates its giving in Chicago, the San Francisco Bay Area, New York and Boston.

- Participants also were given the opportunity to pose additional or unresolved questions during an “open mic” session.
- The convening concluded with a discussion of key themes that emerged, as well as next steps.

This report summarizes cross-cutting themes, dilemmas and ideas that surfaced throughout the meeting’s discussions.

On Grantees’ Minds: What Is Scale and Why Is It So Hard?

Prior to the convening, grantees were asked to share their conceptions about what scale is and what troubles them most as they think about scaling their organizations’ work.

Definitions of scale included:

- Exponential growth and continuous improvement;
- Efficiency;
- Effectiveness in leveraging resources;
- Delivering high quality of services with consistency; and
- Ability to replicate the program model.

In addition to these varied definitions, grantees expressed many different and often overlapping concerns about the idea of scaling their organizations or programs. Some grantees said they were worried about finding capacity within their organizations, as well as in the schools and districts in which they work, to ramp up and expand. Others expressed concerns about keeping true to their program model and worried about compromising key program elements that ensure quality and impact. Many grantees said they worried about maintaining quality control and high expectations; others worried that scaling could result in a loss of their organizations’ feeling of intimacy, collegiality or community. Pacing and

Grantee Growth Story: Developmental Studies Center

Developmental Studies Center helps students develop academically, ethically, socially and emotionally. Since 1980, it has been creating research-based curricula and providing professional development services to help schools and afterschool programs teach children to think critically and clearly while instilling values of kindness, helpfulness, personal responsibility and respect. In 1999, DSC’s programs were adopted in 1,250 classrooms and afterschool sites; now, the adoption rate exceeds 25,000 classrooms and schools annually, and the organization is approaching \$20 million in annual earned revenues.

In Their Own Words

We are certainly at scale relative to a decade ago. We are not yet self-sufficient and still need grant money for certain costs. If we grow \$5 million more in annual earned revenues, we hope to become self-sufficient. We want to preserve the integrity of what we offer and at the same time to continue growing at a rapid rate.

After operating for nearly 20 years and achieving only modest reach, we decided to bet everything on dissemination. We created a sizeable in-house marketing department and hired independent sales reps to market our programs to school districts. Some people left the organization—it was a painful parting. Since then, our program adoption rate has increased dramatically.

– Eric Schaps, president
Developmental Studies Center

timing, as well as the strain that rapid growth can put on top-level leaders, were also mentioned as concerns. And finally, many grantees worried about the financial costs of scaling up: some said they were not confident their organizations could afford to grow in today's turbulent economic climate.

Competing definitions of scale and the obstacles that growing nonprofit organizations face were recurrent themes throughout the convening's large and small group discussions. These themes underscore the difficult, complex and sometimes vague issues nonprofit leaders must confront when looking at whether and how to scale their organizations.

There are a thousand precious pilots, very few institutions and no brands in the nonprofit sector.

I walk away thinking, 'Are we leaving some value on the table there? Why is it that there are so many more for-profits at scale?'

– Roger King, nonprofit management consultant and convening presenter

Both these questions and the advice experts and grantees offered are described in the report sections that follow.

Key Lessons: Considerations, Challenges and Advice for Scaling Nonprofits

The convening's keynote presentation, offered by consultant Roger King, proposed key scaling considerations for nonprofit organizations and deliberately sought to provoke debate, discussion and reflection among attendees. King, a management consultant who formerly worked at Bain & Co., works with nonprofit organizations that have the potential to go to scale. He began his efforts with City Year in the early 1990s, and since then has worked *pro-bono* full time to help several other nonprofit organizations scale up.

King's presentation opened with a discussion of how best to define scale in the nonprofit sector. He acknowledged that many different conceptions of scale exist, but he offered his own definition to frame the presentation and encourage discussion. According to King, achieving scale means "realizing a substantial portion of the full potential of a concept or program," which could include:

- Wide geographic spread;
- Broad adoption;
- Powerful and full program implementation;
- Sustainability;
- Wide recognition.

With this definition in mind, King's presentation offered this advice on achieving scale in the nonprofit sector:

Experience matters. Lower costs come from superior practices, which come through greater experience. This concept, known as the "experience curve" in management literature, allows organizations with

more experience to decrease costs and therefore grow more quickly. King puts it this way: “The more often you do something, the better you are at it, and the cheaper it is.”

“Precious pilots” do not create wide-scale impact. In the nonprofit sector, there are “a thousand precious pilots, very few institutions and no brands,” according to King. If nonprofit organizations focus only on running pilot programs, they will never have large-scale impact, and they will not reach their potential in terms of delivering maximum value to their clients or stakeholders.

The wariness of nonprofit leaders to embrace lessons from the for-profit world constrains growth. There is a significant difference between the language of business and the language of nonprofits, which reflects a philosophical gap. To achieve scale, nonprofit organizations should embrace some of the perspectives, strategies and lessons learned from the business world, argued King. (See Figure 1 below for King’s description of the philosophy and values shared by many nonprofit leaders.)

Scaling up requires making trade-offs. Organizations can use different “vehicles” to accomplish their goals, including direct services, technical assistance and publishing. Some vehicles are better than others for achieving breadth of impact—publishing, for example, has a greater breadth of impact than direct service, but it may result in a lower quality of impact than a vehicle with less potential for breadth. Scaling up often requires choosing one or a combination of vehicles that best allow an organization to balance breadth of adoption with quality of impact.

A strong value proposition is essential to successful growth. A scalable nonprofit organization must have a strong value proposition—meaning its program value must exceed the total cost to clients and payers/funders. To understand its value proposition, an organization should consider the following questions: Does the program justify the time and expense required? If clients had greater resources, would they pay for this program? Is this program the best use of the resources invested in the organization?

Scaling Up: Prevailing Values and Language in the Nonprofit Sector

	Virtuous Attributes	Suspicious Qualities
Programs	Small Local Grassroots	Large National Networked
Products	Custom Comprehensive	Standard Limited
Strategies	Opportunistic Collaborative Flexible Organic	Directed Independent Focused Planned
Structure	Affiliates	Offices
Management	Flat Lean	Hierarchical Robust

Figure 1: The prevailing values and language of nonprofit leaders tend to embrace certain attributes and find other, business-focused attributes suspicious. Adapted from “A Theory of Scale,” presentation by Roger King, Oct. 22, 2009.

Five key considerations should influence a plan for scaling. According to King, these considerations are:

- *Products*—Simple and standard products are more scalable than comprehensive and custom products.
- *Vehicles*—Organizations should choose a vehicle (or vehicles) that maximize impact, both in breadth and quality.
- *Business model*—Most nonprofits shouldn't be scaled. Nonprofit leaders need to understand if the organization really is financially stable and sustainable enough to scale up.
- *Structure*—Most nonprofits employ a relatively loose structure of affiliates, and it is difficult to capture the benefits of shared experience across this sort of heterogeneous network. The more complex the delivery of a program, the more important it is for an organization to have a tighter structure instead of a heterogeneous network.
- *Management*—The execution of an organization's programs or projects makes all the difference. Nonprofits must also invest in organizational capacity (such as finance, human resources and information technology), not just in specific programs or projects.

Key Findings: Grantee Reflections and Debate

Roger King's opening presentation and discussions with the three Stone Foundation grantees who are scaling their work led to a robust conversation and considerable debate. The following ideas and reactions surfaced regularly as grantees talked through the issues:

Organizations should understand their impact before they scale. Many nonprofit organizations remain unsure of their impact, and without a clear understanding of impact, scaling up is not desirable. While it can be difficult to measure impact in the nonprofit sector, many organizations are understandably reluctant to scale until they are convinced their approach has the evidence to demonstrate its impact and wide-scale utility.

Grantee Growth Story: The New Teacher Center

The New Teacher Center's mission is to accelerate student learning by accelerating the effectiveness of teachers and school leaders. Founded in 1998, the New Teacher Center now has an \$18 million budget with 255 contracts in 40 states.

In Their Own Words

We are focusing on measuring impact, knowledge management and performance management. Building these out will help us be at a place where steady growth and performance happens. As you're going so fast, it's easy to let your products go stale. We have a cycle of revision—not every six months, but every two years.

We've grown without a communications plan, a development director, and without operational support. We now have a Board, COO and Chief of Staff. The biggest surprise is that if we (nonprofits) want to have the type of impact we need, we must adopt more business practices. Our aspiration is to reach every kid in every hard-to-reach part of America. In order to do that, we have to build a partnership with the best practices in businesses that help us emerge.

— Ellen Moir, CEO
The New Teacher Center

Grantee Growth Story: The Strategic Literacy Initiative

The Strategic Literacy Initiative at West Ed aims to help students be better readers and writers by providing teachers with professional development tools, protocols and materials in adolescent literacy. The organization had a \$2.1 million budget in 2009, and served approximately 1,600 teachers.

In Their Own Words

We thought we had been scaling up. We started moving to a fee-for-service model in 2005 and were growing modestly. Publications, word of mouth and presentations comprised our growth model. We were fortunately forced to develop a business plan for a grant we didn't get. WestEd supported us and brought in a business consultant to help us. The key point is that it's helpful to bring in someone externally to look internally and ask you questions. Between 2003 and 2008, we developed significant pieces for scale up. We had 50-60 national consultants go out to deliver our services. In 2008, we needed a new plan.

We've begun the process of talking with funders about scaling, and securing growth capital. We've found them willing and engaged. We're surprised they've accepted our invitation to be involved in those meetings.

– Ruth Schoenbach, project director
Strategic Literacy Initiative

The complexity of education makes going to scale especially difficult. The education sector is trying to solve complex problems that don't have easy answers. In addition, there are multiple players—local and state education departments and nonprofits, for example—working to solve problems, often with competing or conflicting approaches. In this context, managing innovation and scaling up is a complicated enterprise.

There is disagreement about whether scale is a relative or absolute concept. If it's relative, one organization's definition of "achieving scale" might look very different than another organization's definition. If scale is absolute, then all organizations must reach a certain level of spread, adoption, sustainability and recognition in order to be "at scale."

While many nonprofits that have successfully scaled have relied on for-profit strategies, lessons from the corporate world are not always transferable. King argued that one important way to work toward scale in the nonprofit sector is to think about how scale has been achieved in the for-profit sector. However, many grantees observed that it is not completely clear the two are comparable: Should nonprofit organizations look to McDonalds or Microsoft as paradigms for achieving scale? Is "profit" in the for-profit sector really comparable to "impact" in the nonprofit sector?

Going to scale may not be the best measure of an organization's success. The value of the product or service being delivered is an important consideration, too. An organization is not necessarily successful if it achieves scale but does not deliver a high-quality or valuable product. It is dangerous to focus on breadth of adoption before quality of impact.

Funders are key partners in helping organizations scale-up. Grant seekers need to ask for what they want from funders—if they need unrestricted money

to scale up, they need to be able to request those kinds of funds. Making the case for scaling up requires a different approach than program funding. Nonprofits and foundations need to understand the value of investing in organizational capacity and infrastructure.

Still, funders should be wary of investing in scaling up a program (or organization) too early or too quickly. An organization has to be ready to scale to a larger size, or it risks losing fidelity to its mission or straining the organization. If money is invested too early, before the organizational infrastructure is there to support it, a program won't get to scale. Governments and foundations often invest their money before the market is developed; money follows the concept before the structure is in place. The small schools movement is a recent example, according to some meeting participants.

Nonprofits need to identify outside factors necessary for scaling up. One challenge is identifying and understanding factors external to the nonprofit that are necessary for scaling up. For example, a given organization might provide services that are more valuable in certain regional markets than others.

Key Findings from Small Group Discussions

After the morning presentation and large group discussions, grantees separated in the afternoon into three small groups (organized roughly by organizational focus area), where they had the opportunity for more specific discussions informed by examples from their own organizations. Each of the three groups had a different conversation, but all honed in on the similar question of impact: How can impact be measured? How does impact relate to plans for scaling up? How can an organization more precisely define its value?

Grantees roundly agreed that conversations about how to measure impact are essential to conversations about scaling. Nonprofits know the importance of demonstrating impact to secure funding, to prove the value of their programs to districts and other stakeholders, and to ensure that the organization is delivering value to students. As one grantee said, "We are looking for a proof point before we go to scale. Why scale unless you have proof positive that something works? It is not just scale for the reason of getting bigger, but scale for improving more kids' lives."

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— Stone Foundation
education grantee

The small group discussions also touched on the complexity of defining an organization's value, since that value may be different relative to particular stakeholders. For example, what a school district considers the value of a program can be very different from how the organization understands its value. Measuring value can be as—or more—complicated as defining value, and it is important for an organization to use a range of metrics that complement each other when demonstrating value to funders and clients. For example, for many organizations it is important to show both impact (improved test scores and student performance, for example) and cost-effectiveness.

Many grantees stressed the importance of communicating an organization's value to different audiences, since demonstrated success drives schools—and funders—to invest; organizations need to appropriately claim credit for what they can. However, in reality, many nonprofits don't do a good job of

advertising their value. Taking credit for success can be difficult, since it is a complicated prospect to give credit to partners or districts and at the same time claim success as belonging to the organization.

Grantees also emphasized the challenge of scaling up in the education marketplace. Some grantees suggested the education sector may not have the right infrastructure or design in place to support scaled organizations or programs. There also may be real market opportunities in education that may not move the needle on student achievement (impact); for example, one grantee observed that an organization could capture a lot of revenue in the sector but not make any difference in student outcomes. In addition, as one grantee noted, “The behavioral economics of the marketplace are mind-boggling.” In other words, investors in the education marketplace do not always behave rationally. Investors are driven by many factors other than cost of a program or impact, and they may not always make rational investment decisions.

Conclusions and Considerations for Future Planning

As a result of the 2009 convening, grantees said they planned to take various actions, including sharing key lessons from the convening with executive team members and colleagues at their respective organizations. In particular, as a result of the convening, grantees said they would act to bring their management teams together around the language and business principles needed for scaling up, to engage other grantees who might be potential collaborators or thought partners, and to think more deeply about what “scale” might mean for their organization.

The convening also led to several important conclusions that the Stone Foundation should consider as it looks to the future. Grantees roundly agreed that they would like to participate in future convenings, and they have a very strong interest in the topic of impact and measurement. In particular, grantees said they would be interested in addressing the following topics at a future convening: the relationship between impact and sustainability; how programs measure impact and what these measures tell us; an in-depth consideration of a particular component of scaling; and the relationship between innovation and scale.

Appendix 1: Grantee Attendees

Meg Anderson

Director, Principal Residency Network
Center for Collaborative Education

Shane Caterino

Director, Corporate & Foundation Giving
Academy for Urban School Leadership

LaShawn Routé Chatmon

Executive Director
Bay Area Coalition for Equitable Schools

Ellen Guiney

Executive Director
Boston Plan for Excellence

Robert Hughes

President
New Visions for Public Schools

Janet Knupp

President
Chicago Public Education Fund

Robert Lesser

Director of Operations
Replications, Inc.

Anissa Listak

Managing Director
Urban Teacher Residency United

Derek Mitchell

CEO
Partners in School Innovation

Ellen Moir

Executive Director
New Teacher Center

Michael Moore

Executive Director, Bay Area
New Leaders for New Schools

David Osta

Chicago Director of Policy and Communication
New Teacher Center

Eric Schaps

President
Developmental Studies Center

Ruth Schoenbach

Project Director
Strategic Literacy Initiative at WestEd

Jesse Solomon

Director
Boston Teacher Residency Project

Claire E. Sylvan

Executive Director
Internationals Network for Public Schools

Steve Tozer

Professor of Policy Studies, College of Education
University of Illinois at Chicago

Liliana Vargas

Director, School Development
Internationals Network for Public Schools

Jared Washington

Director
Carter G. Woodson Middle School / University
of Chicago Charter School

Linda Wing

Deputy Director
University of Chicago Urban Education Institute

Appendix 2: Speaker Biographies

Susan Bodary—principal, Education First Consulting

Bodary is an education policy and reform leader with a proven track record of success in local, statewide and national education initiatives. Before joining Education First Consulting, she served as the founding executive director of EDvention, a preschool-to-workforce consortium of more than 80 partners dedicated to accelerating science, technology, engineering and math (STEM) talent to grow the economy. As part of this strategic effort, EDvention established Ohio's STEM Education Resource Center through a grant from the National Governors Association and is a founding partner of the Dayton Regional STEM School. Prior to her work at EDvention, Bodary worked as an education and workforce advisor to Ohio Governor Bob Taft, where she led a policy team advising on early, primary, secondary and higher education as well as workforce development. Bodary also served as the executive director of Project READ, a coalition of more than 50 schools, businesses and community organizations dedicated to addressing lifelong literacy issues. She is a distinguished policy associate at the University of Dayton's School of Education and Allied Professions and a senior policy consultant with Achieve, Inc., a national education policy reform organization in Washington, D.C. Bodary holds bachelor's degrees in public law and organizational communication from Eastern Michigan University.

Roger King—consultant

Roger King has worked with nonprofits on strategy and organizational development since the early 1990s. He was a consultant with Bain & Company, an international strategy consulting firm, from 1983 to 1992. King holds an A.B. and an M.B.A. from Harvard University.

Ellen Moir—founder and executive director, The New Teacher Center

Moir began her career as a bilingual teacher in Santa Paula, Calif., in 1972. In 1978, she became supervisor of teacher education at the University of California-Santa Cruz and a lecturer in the education department. From 1985 to 2000, Moir was director of teacher education at the university. She launched the Santa Cruz New Teacher Project in 1988, an innovative new teacher support program that she has directed since its inception. She founded the New Teacher Center in 1998. Moir has published articles in a number of professional journals, including *Educational Leadership*, *Journal of Staff Development* and *Teacher Education Quarterly*. She holds a B.A. from California State University-Northridge and an M.A. from San Jose State University. Moir was a recipient of the 2005 Harold W. McGraw Prize in Education. In 2003, she received the California Council on Teacher Education Distinguished Teacher Educator Award.

Eric Schaps—president, Developmental Studies Center

Eric Schaps founded Developmental Studies Center in 1980 to specialize in designing and evaluating educational programs that promote children's social, ethical and academic development. Schaps is the author of three books and over 60 book chapters and articles on substance abuse prevention, character education, school improvement and program evaluation. He has been principal investigator on over \$40 million in grants from public and philanthropic sources. He serves on several boards and advisory panels, including the Boys & Girls Clubs of America. Schaps earned his Ph.D. in social psychology from Northwestern University, where he also did his undergraduate work.

Ruth Schoenbach—co-director, Strategic Literacy Initiative

As co-director of WestEd’s Strategic Literacy Initiative (SLI), Schoenbach has worked since 1995 to increase access to higher-level literacy learning for adolescents, particularly those who have not yet met their academic potential. Building on prior research, Schoenbach and her partners developed the Reading Apprenticeship® instructional framework, which they describe in their best-selling WestEd book, *Reading for Understanding: A Guide to Improving Reading in Middle and High School Classrooms*. In response to requests for training related to the book, SLI has developed national training institutes, regional professional development services, a growing cadre of certified consultants, and numerous publications and tools for classroom and professional development use. SLI’s Reading Apprenticeship Academic Literacy course was chosen in 2005 as one of only two adolescent literacy programs in the nation designated by the U.S. Department of Education’s Institute of Education Sciences for further study and evaluation. Schoenbach received a B.A. in social sciences from the University of California-Berkeley, a Bilingual Multiple Subjects Teaching Credential from San Francisco State University, and an Ed.M. in teaching, curriculum and learning environments from the Harvard Graduate School of Education.