Go Big or Go Home

Investing in scalable solutions

Kevin Starr, MD

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Pascaline Dupas had a cool idea. She would offer free insecticide-treated mosquito bednets to pregnant women in western Kenya who signed up for prenatal care at government clinics. Once there, they'd get a bunch of things: prenatal care itself, malaria prophylaxis, HIV medicines if needed, and, of course, their kids would sleep under a bednet. To determine her real impact, she set a pilot project up as a randomized trial with child mortality as the key outcome.

It worked. Sign-up for prenatal care skyrocketed, and once in, most women stayed in. Direct observation showed that 85% of their kids were sleeping under nets. Rigorous studies show that in western Kenya, sleeping under a net reduces child mortality by 20%, so she could make a persuasive case that the cost per child's life saved was about $600. She'd kept the Ministry of Health in the loop, and so her subsequent lobbying efforts got them to implement the model in districts throughout western Kenya.

Pascaline's work is a prime example of a scalable solution, the holy grail of the Mulago Foundation. We make philanthropic investments in scalable solutions in health, development, and conservation in the Third World. We invested in Pascaline's work and she was a Rainer Arnhold Fellow (and now faculty) in our program to help social entrepreneurs design for maximum impact at scale.

As a very small operation, we had to find a simple and systematic way to evaluate for scalability. We've built our investment approach around our friend Martin Fisher's idea that scalable solutions have four critical characteristics: they have 1) real impact and are 2) cost-effective, 3) sustainable, and 4) replicable. Martin used this idea to build an iconic organization, KickStart, which has gotten thousands of African farmers out of poverty, and we've adapted his "four things" to guide our philanthropic investments.

Real Impact

If an intervention can't demonstrate real impact, it shouldn't be scaled up. We don't invest in organizations that don't measure impact: they're flying blind and we would be too.

We don't want a flood of data; we want the right data. To ascertain real impact, you need to measure the right thing, measure it adequately, and make the case that change was in fact due to your efforts. It starts with knowing the fundamental thing you've set out to accomplish – your real mission. If you're distributing mosquito nets, what matters is not how many nets you get out the door, but whether malaria rates and mortality drop. If you're making micro-loans, what matters is not whether people pay you back, but whether they make more money. For us, impact isn't changes in what people know, think, or even do; it's about what happens as a result. It's not vague stuff like "lives affected" or a kitchen-sink compendium of all the possible benefits you can think of, but focused indicators that capture the real mission.

Pascaline's real mission was to save kid's lives in Kenya. She used proven survey methods, had a big enough sample size, and made a rigorous comparison of similar families who didn't get the intervention. Because there was good evidence for the connection, she could use a verified behavior – kids sleeping under nets – to make an accurate estimate of impact. Better yet, we know her estimate is a conservative one: it represents only the tip of the iceberg of suffering and death averted overall.

Not everyone needs to do a randomized trial. Pascaline did, because, among other things, there were other sources of nets and many other causes of child mortality. Sometimes there simply isn't another plausible cause for the change observed; other times a more simple matched control group will do. Not all of our start-up organizations have proven and attributed impact yet, but all have identified what to measure and have a process in place to do so, and in fact, when needed, formal impact studies are something we like to pay for.

Cost-effective

Even with real impact, it still won't scale if it costs too much. Pascaline's intervention was cheap: $600 per life saved is about half the cost of some of the best interventions out there. It's a solid, conservative number that gives us a meaningful sense of value in terms of the real mission.

We really want a number. It doesn't tell you if something is worth doing, just what it costs to do it. Cost per impact is our SROI, the single most important number to guide our decisions, the best indicator of our own impact. While each number must be evaluated in context, sometimes - as in the case of organizations working with one-acre farmers - we can use it to make meaningful comparisons.

With a mature organization doing something coherent, it can be pretty simple: divide the total amount expended by the total impact. For newer organizations, it doesn't really work because of high R&D and start-up costs. In that case, what we ask for are projections that can at least stand up to scrutiny.

A nice thing about our emphasis on SROI is we don't have to care about an organization's percentage of overhead or whether they sometimes fly business class. As long as we have a credible number that we like, we know we have good value and can let them decide how money is best spent.

Sustainable

What a sadly abused and weirdly indispensable word! For Mulago, sustainable means that impacts last and continue to grow once the primary intervention is complete: it passes the "walk-away test." We look for two inter-related things: 1) the behavior that drives impact lasts and 2) there is an exit strategy for donor subsidies.

The first is all about incentives. We look systematically at the incentives that drive key behaviors, and consider the nature of those incentives: coerced behavior is the least stable (locking people out of the forest); self-reinforcing behavior the most stable (a shopkeeper making money, or a mom learning ways to save her child's life); and compensated (paid) behavior is somewhere in the middle. The key behavior in Pascaline's project was sleeping under a net – about as self-reinforcing as you're going to get.

As for exit strategies, there are only three kinds. First, you can hand your intervention over to the government to deliver. That's what Pascaline did. She designed her intervention to be taken up by government clinics, and she brought the relevant decision-makers into the process to make sure it would happen.

Second, you can embed it in the market. KickStart uses donor funds to market its affordable money-making technologies, leaving profitable businesses and supply chains in place to continue generating new impact.

Third, you can create a self-perpetuating mechanism for behavior change that allows you to move on. For example, World Relief has an intervention called "mother's care groups" wherein high-saturation, peer-to-peer teaching of high-impact household health behaviors creates durable new social norms that continue to save lives when a project is over.

Like everyone else, we like to invest in the start-up costs of organizations that will eventually be able to expand into new settings without subsidies. However, despite a lot of hoopla, there are few that can do that and meet the needs of the very poor. In the settings where we work, government and market failures must be overcome, and even organizations that no longer need a subsidy in one setting often need philanthropic capital to innovate and to extend to new settings. When the impact return on that capital is high, we're happy to put our money in.

Replicable

Pascaline's intervention has the key criteria we look for. It is 1) simple and systematic enough that others can do it, 2) broadly adaptable to a wide range of settings, 3) it can leverage something big to drive growth– in this case, government health systems. To be fair, her intervention is on the "really-simple" end of the simple-enough spectrum, but innovations like micro-franchising are increasingly allowing the efficient packaging to what might otherwise too complicated.

We're long past the time when philanthropy can afford to ignore or get it wrong about what is scalable, and our experience is that while scalable stuff can be hard to find, it isn't that hard to screen for. The better we get at channeling money to those who really know how to create change at scale, the more we'll hasten the day when philanthropy starts to operate as an efficient market. And when that day comes, we might just save the world.