



Scaling New Heights

How to Spot Small Successes in the Public Sector and
Make Them Big

Jitinder Kohli and Geoff Mulgan July 2010



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doing what works

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Introduction and summary

President Clinton once said that, “nearly every problem has been solved by someone, somewhere. The challenge of the 21st century is to find out what works and scale it up.”¹

The question of scaling is a great issue for any progressive government—how to find and foster small pockets of brilliance. It’s particularly an issue in the fields of social policy, education, and health. There are promising pilots, social enterprises, and community projects in each of these sectors that inspire everyone who visits them. But it’s usually much harder to sustain their success at a larger scale. This report explores why that is and sets out recommendations to assist the scaling process.

Government can learn important lessons in this endeavour from commercial markets—where scaling is natural. No other country in history has been as successful as the United States at reaping economies of scale—in manufacturing with firms like GE, in software with firms like Microsoft, and in retail and logistics with firms like Walmart. Economists estimate that innovation—brilliant ideas that become large scale products and services—accounts for as much as 85 percent of the United States’ economic growth.

There are strong incentives to innovate in the private sector—with enormous financial returns for those who can take innovations from small ideas to large-scale markets. And commercial markets have a whole infrastructure dedicated to creating and scaling innovations—from business incubators to venture capital funds. Governments offer an important helping hand, too—both through the tax system and direct funding.

But the United States’ social sector has been largely unable to match the success at achieving scale in industry and services. Growth and scale in the social field are very different from growth and scale in for-profit commercial markets.

Incentives to grow in social settings are weaker and it is harder to make the process work. This report compares social settings to commercial markets and identifies three barriers to scaling in social settings:

- **Unlike commercial markets, there is no automatic sorting mechanism for the most promising innovations.** It's hard to know what really works and what does not in social settings without an “invisible hand” to help great innovations rise to the top.
- **Successful small-scale social innovations receive little support to scale and grow.** This is in marked contrast to the private sector where investors work to help innovations succeed. The need for support is arguably even greater in social settings, but social innovations struggle to access it.
- **Current funding models for social innovations are inadequate.** Government funding responds slowly to new innovations; it is often stovepiped and aimed at projects with very specific characteristics, even though the most effective social innovations may well tackle issues across the neat boundaries of programs. And the government is also a passive and risk averse funder.

Understanding these differences and the barriers to successful scaling in the public sector are important building blocks for creating a model that improves the social sector's capacity to scale well.

This report sets out a model for the public sector to improve scaling. If adopted, innovation systems in social settings, such as health and education, would become more efficient at testing, assessing, improving, and spreading the best ideas.

Specifically we recommend:

- **Developing markets for social outcomes.** Focusing government funding programs on delivering outcomes—such as reducing crime rather than building prisons and preventing disease rather than providing health care—to create incentives for both innovation and scale.
- **Designing funding models that encourage scaling.** Developing new funding models—such as stage-gate investment funds, loans, or outcome based finance—to support innovative models through successive stages of development and growth.

- **Shaping the knowledge field to support what works.** Developing institutions, or “Institutes for Effective Innovations,” to advise the government and other funders on what works and what models are most cost-effective in key areas of public policy and service delivery. Organizing and orchestrating this data is the single most important step that the federal government could take to help the spread of good ideas.
- **Investing in social innovation mentors.** Building a new network of social innovation mentors with a wide range of innovation skills. These mentors would work with social entrepreneurs when designing and developing new models and support them through the process of organizational growth and scaling.

Scaling is only one part of the innovation cycle. While this report describes other aspects of the cycle, a companion report, “Capital Ideas: How to Generate Innovation in the Public Sector” focuses on the process for generating great ideas.

Scaling and the cycle of social innovation

Innovation touches our lives all the time—using a cell phone to check email, shopping on eBay, or taking a new form of medication to help tackle an ailment. These are all instances where new products and services have made our lives better and easier.

These are also examples where firms or individuals have thought up great ideas and made a great deal of money by scaling them up. The returns on innovation in the commercial world are enormous.

Using the commercial world as a backdrop, this report focuses instead on social innovation—instances where innovative ideas are being put to use for social ends. There are millions of people around the world seeking to come up with new and better ways to address issues ranging from trying to find ways to tackle climate change to improving health, reducing poverty, and tackling drugs abuse. Their social innovations will be the key to better addressing the social challenges of our time. But unlike commercial innovation, the returns are unlikely to accrue to the innovators—they are shared by society as a whole.

The textbox “The six-stage cycle of social innovation” sets out a model for social innovation and identifies six stages of the innovation cycle from “prompts” through to “systemic change.”

Scaling, which is the subject of this report, is one of the last stages of the cycle and is in many ways one of the most challenging stages of the cycle. Social innovations that appear to be working well at the small scale all too often get stuck at that stage.²

The six-stage cycle of social innovation

Innovation in the private sector follows a process from invention through to wide adoption of new goods or services. Social innovation follows a similar cycle and there are six stages from inception to impact.³

These stages are not always sequential—some innovations can jump a stage or two—and there can be feedback loops between them:

1. Prompts, inspirations, and diagnoses. Solutions derive from problems. The impetuses for social innovation are therefore often social problems: funding crises, systemic failures, tragedies. These prompts can be founts of creative inspiration, but must be accurately diagnosed in order to identify the root causes of particular problems. New technologies or knowledge can also sometimes act as prompts.

2. Proposals and ideas. Once a problem or a new possibility is understood, social innovators set about generating ideas for solutions.

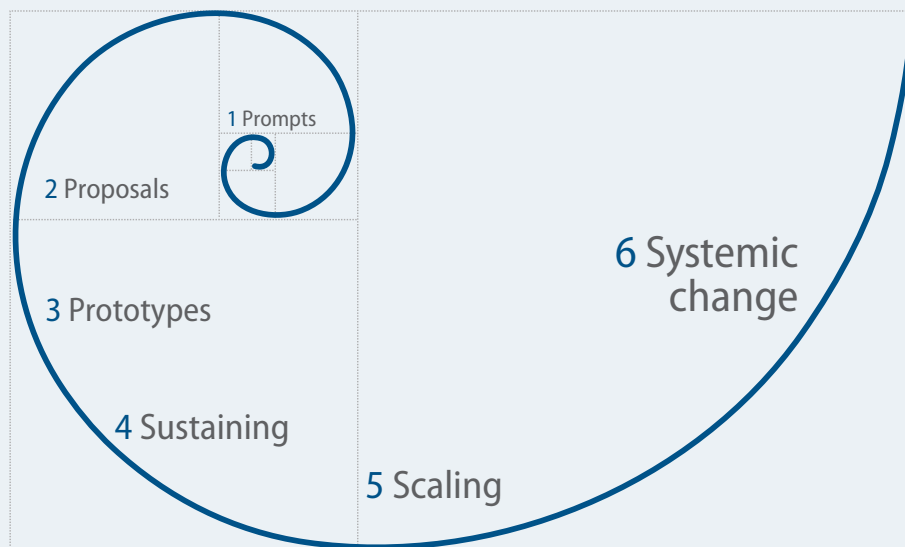
3. Prototyping and pilots. This is the testing stage. Whether through controlled trials or just running an idea up the flag-

pole and seeing if anyone salutes, the refining and prototyping process is critical for social innovation. Ideas are battle-tested, supportive coalitions emerge, internecine conflicts get smoothed out, and success benchmarks become formalized.

4. Sustaining. Here, the training wheels come off and the road to long-term viability is paved. That means finding revenue streams, writing supportive legislation, and assembling the human and technical resources to put the air beneath the wings of innovation. The idea often has to become simpler at this stage.

5. Scaling and diffusion. The idea takes off here, reaping social economies of scale through expansion, replication, and diffusion. There is no profit motive to drive social innovation across the globe like in the private sector. Social solutions often require government intervention and public-private partnerships to grow.

6. Systemic change. This is the end-game of social innovation. An idea, or many ideas in concert, become so entrenched that they give birth to new modes of thinking, new architectures, and ultimately entirely new frameworks.



Scaling is rare in social settings

Scaling happens naturally in commercial markets, but is much rarer in the social sector.

Even where social approaches have been shown to work, they are often far from universal. The Kennedy School at Harvard University every year recognizes a number of the most effective innovations in the nation through its Innovation Awards Program.⁴ The awards program has been running for over 20 years and has recognized over 400 different social innovations in the United States. But what's worrying is that few of the innovations are taken up elsewhere, and even fewer become universal practice.

The state of Oklahoma, for example, won an award in 2001 for its OK-FIRST project that provides training and real time information to public safety officials for extreme weather situations.⁵ The project was set up in 1996, and the National Weather Service recognized it as a practice to emulate in 1999.⁶ Oklahoma hosted an event to help other states replicate their work in 2005—13 representatives from 11 states attended, and four states have since adopted some of the approaches. It took six years for an approach that had been recognized as leading practice to be emulated, and even then it is only to a tiny part of the country.⁷

Another example is the Harlem Children's Zone.⁸ This project, set up in the early 1990s, works to help children in Harlem succeed. It adopts a multi-pronged approach from parenting and pre-school programs to a charter school and an anti-obesity program. The project has been recognized widely, featured on a number of television shows, and praised by President Obama as a beacon of excellent practice.⁹ The project has grown to 100 blocks, and it aims to serve over 10,000 children by next year. This is a story of great achievement—but what is perhaps more striking is that the approach has not universally adopted in other cities. There has finally been some action—the Education Department has launched a new Promise Neighbourhood program that will release \$10 million in grants this year for up to 20 communities to emulate the approach in Harlem. But that process has taken almost 20 years, and few projects that are successful are acclaimed on television or by presidents.¹⁰

“The Harlem Children’s Zone is literally saving a generation of children in a neighbourhood where they were never supposed to have a chance.”
– President Obama

These are in some ways the exceptions that prove the rule—even projects that gain such strong recognition find it hard to scale. But for every one of these, there are many more that are effective social innovations at the small scale that hardly anyone knows about.

Three reasons why scaling doesn't happen in social settings

So why is scaling so hard to make happen in social settings? We believe there are three key reasons:

- Unlike commercial markets, there is no automatic sorting mechanism for the most promising innovations
- Successful small-scale social innovations receive little support to scale and grow
- Current funding models for social innovations are inadequate

Scaling through the economic lens of supply and demand

Another way to think about scaling social solutions is the interaction of supply and demand. This is one place where there are very precise parallels with markets. It's not enough to build a better mousetrap. You have to be able to demonstrate that it really is better and more cost effective. And someone needs to want it enough to be willing to pay.

The demand side

Effective demand is a familiar concept in economics. Demands, wants, and needs become "effective" when they are backed up with purchasing power. There are many things that we may want, but demand only becomes effective if we are willing to pay for them with real money. It is the demand for new and better products and services that "pulls" innovation in the private sector.

Effective demand in the social sector is often indirect—with government or foundations funding innovations that serve society as a whole or those with the greatest needs such as the homeless or elderly. There is only "effective demand" when governments or foundations are willing to pay for innovative practices. Yet

while government is often keen to talk about the effectiveness of certain approaches, there is little money available on the table to help them scale.

The supply side

Effective supply is a less familiar concept. It refers to innovations that can be scaled up so that they are workable and useful to more people. Small-scale success does not demonstrate that an innovation can exist on a larger scale—the innovation may only work well in a particular context, or there may be a scarce supply of the raw materials.

The same is true in the social sector. There are many social innovations that appear to work at the small scale. But that's not enough to constitute "effective supply." Innovations also have to be able to demonstrate that they can work at reasonable cost at the larger scale. And if part of the secret of their success is unusually talented leaders or staff, or the specific context in which they operate, then they would need a strategy to remain effective as they scale, and these characteristics become hard to replicate.

Unlike commercial markets, there is no automatic sorting mechanism for the most promising innovations

Adam Smith wrote in the eighteenth century about the power of the “invisible hand.”¹¹ There is a strong and automatic mechanism in commercial markets through which those products that are most promising are sorted from those that are not.

Businesses make money by selling products for more than it costs to produce them. And consumers buy products because they provide them more utility than the money they are asked to part with.

The returns to innovators are potentially enormous. Ikea, for example, invented a new format for furniture sales that has been enormously successful. It has annual sales of around \$25 billion and 300 stores globally, and it is no surprise that its founder is now one of the richest men in the world. The iPhone has similarly helped to make Apple the largest technology company in the world.

These returns mean that those who have capital are continually seeking out new ideas that they believe might succeed. Offering innovators money to grow in exchange for a stake in the returns is the means by which venture capital funds and investors make money. And it is also the means by which promising products are sorted from those that are less so.

But there is no equivalent process in the social context. Social innovators don’t gain private returns from their ideas growing to scale. And funders also don’t gain anything directly if a social innovation is extremely successful. Gains largely accrue to society as we find more effective ways of addressing societal challenges such as climate change, obesity, homelessness, or joblessness. Gains often also accrue to individual beneficiaries—the homeless person who is no longer roughly sleeping, or the jobless person who has now found secure work.

The returns to the innovators or their backers are more modest—they often feel very proud if the project has a transformational impact. But that is very different from the way that incentives for innovators and investors in the commercial world help sort innovations that are most promising from those that are not.

Of course, there are lots of stories of social innovations that appear successful at the local level, but being able to objectively analyze and compare them to each other is difficult. It is rare that there is transparent, objectively verified data on the same metrics that allows projects to be compared.

Without the help of the market, there is an urgent need for other ways to sort the social innovations that are most promising from those that are least promising.

Successful small-scale social innovations receive little support to scale and grow

In the commercial sector, once an investor has identified an innovation and put their money into it, they have every incentive to do all they can to help it succeed. Even though very few commercial innovations successfully scale to market, investors work hard to help an innovation succeed if at all possible—as they know the returns flow from growth.

There are a series of different interventions in the business world to make this happen—such as business incubators, venture capital houses, and business mentors. They all help promising small businesses grow—providing them the expertise they need to navigate funding, regulation, and other issues that face growing firms. Business mentors also help entrepreneurs understand how to make a success of their idea when they cannot oversee all the operations themselves—whether that’s hiring great people, franchising, or potentially selling the business to someone else to expand it to the next stage (see box on page 7).

The process of growing a successful innovation is arguably even harder in social settings than in the private sector. The commercial innovator knows that scaling the product is the means to secure significant private returns. But scale is unlikely to be a consideration at all for social innovators early on since they are often driven by their mission; instead, the focus will be on building an effective intervention in their community. And because many social innovations are about care or compassion, they can be inherently harder to scale than products in the commercial world. The most effective social innovations at the small scale are often led by inspirational leaders—and the organizational culture is more akin to a family than a formal organization. The model can be very complex—but rarely is it likely to be written down, and so replicating it elsewhere may be challenging (see box on page 10).

Often the social innovator is emotionally involved with the project and finds it hard to navigate the growth journey—especially as the best way to grow might be to adapt the model or allow a larger organization to take it on. Similar issues can arise in the commercial world—but the incentives to adjust your model or sell it on are high, as that is the manner in which the innovator gains a private return.

Funders in social contexts also rarely believe that helping social innovators to scale is part of their role. There are some exceptions, particularly some foundations that work with projects to provide them intensive support to help them succeed. But these are rare—governments, in particular, see their jobs as providing money to projects that fit their funding criteria and have no ongoing stake in individual projects.

Governments sometimes spot successful projects at the local level and conclude that the best way to scale them is by funding a much larger-scale version of the project and either running it themselves or allocating funds to others that will take on the work. That can succeed in some cases. But the aspects of the original project that made it a success are often lost as the larger project emerges.

What is really needed is support for the original project. Sometimes that support will be for the project to grow and navigate the challenges of doing so—such as adjusting the model to different contexts, developing compelling evidence that persuades new funders, or simplifying the approach so that it can work even without the immediate direction of the leader. And sometimes that support would be to help describe the model clearly enough or simplify it so it is clear enough that others are able to emulate it by copying or adapting it to their local contexts. Scaling would happen in these cases because others would begin to adopt the best practice of the successful approach, but the original project could remain largely as is.

The need to simplify to scale—the example of ASA in Bangladesh

A good example of how simplification can assist with scaling is the Association for Social Advancement, or ASA, which means hope in Bengali and works to promote micro-finance around the world.

ASA developed a codified approach in order to grow, including detailed guides for branch managers, a rigorous focus on cost minimization across all its locations, simple paperwork and simple offices, and avoiding the requirement for groups of borrowers to guarantee the loans made to each member.

By making a complex idea easy to replicate in different parts of the world, ASA has now disbursed over \$5 billion to some 7 million members in seven countries.

Current funding models for social innovations are inadequate

Consumer demand for new and better products drives a process of innovation in the commercial world. Investors will back promising innovations because they think consumers might demand them when scaled up.

But the social sector is different since the consumers rarely have the capacity to pay for social innovations—homeless people, children, or victims of crime can't fund innovations that improve services for them. They instead rely on governments to do that. The program is only likely to scale when government is willing to pay for a social innovation.

But government-funding models have a number of shortcomings:

- In the commercial world, new products emerge and consumer demand can pick up very quickly. But funding emerges slowly in government—budgets need to be put together and funds need to be appropriated, and that can take years, especially if they need to come from another budget line.
- Even after budget lines emerge, funding is offered in a stovepiped manner. Rather than there being a funding stream to reduce crime, there are likely to be separate programs to work with those at risk of offending, ex-offenders, drug addicts, and local communities. But if projects that cut crime by working with ex-offenders are more effective than those that work with drug addicts, that does not mean they will receive funding. It's the size of the program that really determines what is funded. Once the money has run out for ex-offender projects, it doesn't matter how many effective projects remain unfunded. And if there remains money for projects with drug addicts, even less effective projects will receive funding.
- Many social innovations are effective because they take a client-centric approach. So they see the young woman who is homeless, jobless, and has debt issues as a whole—and help solve all the issues at the same time. But government-funding programs are likely to be stovepiped—with separate funding for addressing homelessness, joblessness, and debt issues among young women. The project may struggle to access funding unless it is so good at one of these areas that it can afford to use funding aimed at that issue to cross-subsidize other aspects of its approach.
- Governments can also be risk averse when providing money. They want evidence of the results that projects will achieve. Yet reliable evidence is hard to

come by, as discussed above, and that may actually be the wrong approach at the early stage. Investors in the commercial world will seek out innovations that have a small chance of success, but achieve enormous returns if they succeed. But governments are likely to shun similar innovations in the social sector.

- Government is a very passive funder. It often has a transactional relationship—running grant rounds and providing money to those projects that fit the criteria. There is no ongoing support for projects to help them succeed, and funding criteria rarely take account of the possibilities of scaling the project or incentivize the social innovator to adapt it to promote scaling.

These shortcomings make it hard for governments to actively promote successful social innovations. Government funding often becomes a maze to navigate through rather than an enabler to scale successful social innovations.

So what would make a difference?

What is needed for effective scaling will vary in fields as diverse as infrastructures for electric cars and new models of teaching. Some, like electric cars, require very substantial capital investment and a series of parallel, complementary moves—such as putting in place infrastructures, changing over public vehicle fleets, or offering the right leasing options for the public. Others, such as new teaching models, may not require much capital investment—but depend on persuading large numbers of teachers to adopt new strategies.

But there are standard, universal steps that governments can take to make scaling easier. And even though the recommendations of this report are largely aimed at government, there is an important role for philanthropy to accelerate the process of change (see box on page 13).

1. Developing markets for social outcomes

The first priority must be to develop more effective markets for social solutions. That means explicit contracts that reward the achievement of social outcomes, such as better educational results or longer lives.

Philanthropy as a catalyst for change

Foundations can be more nimble than governments—and have often in the past used their freedom to champion important new ideas and social models.

We believe there is an important role for foundations in the implementation of this report. Foundations can accelerate the process of change by working alongside government to build an innovation system for the social sector.

In particular, they can:

- Do more to demonstrate the power of outcome-based funding approaches and stage-gate investment strategies. They could help shape the government funding streams of the future by developing new funding vehicles and helping to explain how they can transform social innovation.

- Fund a network of social innovation mentors to provide “proof of concept.” They can help provide some of the infrastructure that benefits innovators in the commercial world - by backing mentors who would help social innovators through the scaling process.

- Help define how the proposed Institutes for Effective Innovations should work and perhaps co-invest with government to help set up some trailblazer institutions in this field.

- Be rigorous in analyzing what works and what’s really scalable in the projects they fund.

Too many foundations have been content in the past to celebrate the small-scale successes of individual social entrepreneurs or charities. But there is an urgent need for more systemic change and an opportunity for foundations to lead that transition.

Most government funding is provided to specific programs that focus on narrow solutions to complex societal problems. Projects that offer more innovative approaches often struggle to access funding because their models fail to meet the narrow criteria—even if their approach is more effective at addressing the outcome.

But if funding streams instead defined the outcome they wanted and offered to support projects that could demonstrate that they could deliver the outcome—or support more established projects that had already achieved the outcome and could continue to do so at a larger scale—that would change the funding dynamic.

This new approach would allow a project that reduces childhood obesity to work by simultaneously encouraging healthy eating among children, increased exercise in the classroom, parental education, and working with food manufacturers to alter marketing practices. The federal government’s current instinct is to offer different funding streams for each of these approaches rather than finding those projects that are most effective, which would allow the best to rise to the top.

New financing vehicles to reward outcomes

Social impact bonds are a new funding vehicle that seeks to reward approaches that are effective at delivering outcomes for society.

Report author Geoff Mulgan coined the term, and the Young Foundation is working with an organization called Social Finance and a number of British government departments and municipalities to develop the first set of social impact bonds. In essence, the government promises to make payments at a future date where there is evidence that interventions have delivered a societal outcome—such as reducing reoffending rates or hospital readmission rates.

Social Finance has put one model into practice where projects raise money from philanthropists that is then repaid if they deliver outcomes and receive government funding. Philanthropists in this model take an approach similar to venture capitalists by backing projects they think will be able to successfully secure money from the government. In another model, municipalities pay the up-front costs in anticipation that their interventions will succeed and receive repayments based on outcomes achieved.

The long-term aim is to create much larger markets for social outcomes so that commercial investors would back projects they believe are likely to secure the promised government funding for successfully achieving outcomes.

Another example is the Global Impact Investing Network—a not-for-profit organization backed by the Rockefeller and others that's dedicated to increasing the effectiveness of "impact investing"—investments that aim to solve social or environmental challenges while generating financial profit. GIIN has brought together a range of players from fields including philanthropy and venture capital and is seeking to create new reporting standards and metrics so that investors can make intelligent choices about investments that achieve social and environmental as well as financial goals. They hope in the long term to encourage commercial investors to engage much more fully in achieving social outcomes by mobilizing the full panoply of methods from rating agencies and auditing methods to implementing investment assessment techniques.

Developing a more robust and competitive market for government funding along these lines will require a culture change, in both the executive and legislative branches, that shifts funding criteria away from focusing on projects' promised inputs and instead on the outcomes they achieve.

The key point is that federal departments and Congress need to work together to develop funding streams focused on outcomes rather than grants for projects. This requires government agencies to think of themselves as shapers of markets for outcomes—and to own the problem of putting in place the conditions that help real markets to function well.

2. Designing funding models that encourage scaling

Developing a market for social outcomes will help to incentivize the scaling process. But there are other changes needed to funding models, as well.

There should be new investment models that can take projects and ideas through successive stages, with different types of finance at each stage. And funders should embrace helping with the changes to organizational form, leadership, skills, and culture that are generally needed at each stage of the journey.

The social field is surprisingly short of sophisticated financing models. Many innovations depend on grant funding from philanthropists or foundations. There are then some social investment sources for more mature innovations and organizations. But a developed financing system would account for scaling and scalability from the start. It would include at least the following elements:

- Small grants for promising ideas coming from social entrepreneurs, nonprofits, practitioners, or community groups. Every funder should ensure that a proportion of grants go to ‘high risk, high reward’ projects—those with a low chance of successful scaling but where success could have an enormous impact.
- Larger funding to support the piloting and fast prototyping of the most promising ideas—taking account of the chances of successfully scaling.
- Investment funding for the sustaining and scaling phase, with support for social innovators to navigate this very difficult phase of transformation. Funding should be provided through loans, quasi-equity, and outcome-based contracts so that both the funder and the funded have an ongoing stake in the project delivering outcomes for society.
- New metrics to help frame assessment of innovations at different stages, including tools to judge the net present value of particular ideas.

Financing tools are much more diverse in the commercial sphere—from business angels, venture capital, and private equity houses, to more conventional routes such as raising money through initial public offerings, or IPOs. The social sector needs a similarly diverse range of tools. And there needs to be a move away from traditional grant financing for more mature innovations.

There have been some remarkable innovations in social finance in recent years—some of which have mobilized the generosity and enthusiasm of the public. Kiva links individual investors with socially useful projects around the world and has raised capital from more than 647,000 individual lenders. More than 239,000

social entrepreneurs have, so far, been supported with around \$100 million in microloans from Kiva.¹²

Private sector players are also now entering the social innovation sphere. Banca Prossima in Italy is a new bank focused on finance for social innovations set up by one of Europe's largest banks—Intesa Sanpaolo. The Finnish government has long funded SITRA—a venture capital arm of government that has 40 years experience financing innovations in the private sphere, but has now begun to finance innovations in social fields, such as health and aging.

And there are emerging new financing vehicles that reward successfully achieving outcomes rather than just providing grant financing (see box on page 14).

But these are just the beginning of change—these excellent ideas are very far indeed from being mainstreamed. That is what is now needed.

3. Shaping the knowledge field to support what works

The government also needs to better orchestrate knowledge about what works. This remains a major gap in most fields of social and public service innovation. There are often hundreds of pilots, and tens of thousands of academics working on research and evaluations. But it is hard to find knowledge about what works, and smart judgements about what lessons can be drawn—often because it's no one's job to pull it together.

Some fields, such as clinical treatments, have systems to ascertain effectiveness before licensing. But even here there continues to be fierce arguments about what really works. A randomized control trial may show an apparently strong result only to be overturned a few years later. And even where strong evidence accumulates, it may take years for doctors to change their practices, with marketing by drug companies distorting decisions, too. The field of medicine is far from perfect, with little research on the effectiveness of interventions other than drugs, but in this narrow area at least there is a system for experimenting, evaluating, and then spreading findings.

Other fields start from a much lower base, but they too need a shared knowledge center if there is to be any prospect of improving the growth potential of the best innovations.

There are some good foundations to build on. The Cochrane Collaboration in health¹³ and its offshoot the Campbell Collaboration in social science,¹⁴ now supported by the Norwegian government, are outstanding examples of third parties that marshal the evidence of what works. They work alongside the many professional networks, conferences, and journals in planning, medicine, law, architecture, and social work to collate evidence and make judgements on whether interventions are effective and what further research is needed.

Another good example is the World Bank's Global Partnership on Output-Based Aid, which simultaneously encourages adoption of proven models and ensures that the World Bank's own programs use them.

The National Institute of Health and Clinical Excellence in the UK is another good example. It is a statutory body that publicly rules on the cost-effectiveness of health interventions, using the common measure of quality-adjusted life years. This means that it can compare the effectiveness of a new cancer drug or a smoking cessation program. It then becomes hard for those that hold purchasing budgets to ignore its advice.

Indeed, the new health care reform law in the United States follows National Institute for Health and Clinical Excellence's model by setting up the Patient-Centered Outcomes Research Institute responsible for reporting on the comparative effectiveness of different approaches to prevention, diagnosis, treatment, and management of health conditions.

The government should build on these examples to develop formal bodies charged with making judgements about what works and also about cost-effectiveness in other areas of policy—such as education, housing, employment, and crime reduction. Institutes for effective innovations should be transparent and easily accessible through user-friendly websites—and should be charged with making judgements about the effectiveness of different approaches. Their judgements can then be used to guide funding decisions, both by government and outside—and approaches that are truly effective at the small scale would attract funding to scale and grow.

4. Invest in social innovation mentors

The last critical task is to connect supply and demand for social innovations. One of the key lessons of a century of technological advancement is that intermediaries are

needed to connect promising ideas and their uses. This should happen automatically in commercial markets as the incentives for suppliers and those who demand goods and services are so high, but it does not work the same way in the social market.

Even in the private sector context, many good ideas only find their best uses with a lot of help. That's why the fields of science and technology are replete with intermediary bodies charged with linking the supply of ideas to effective uses. Institutions involved in technology transfer, venture capital, and research foundations work alongside business incubators to find promising innovations and support them through the difficult growth and scaling phase. The government even subsidises specialist intermediaries in some fields to orchestrate research and development and link it to potential uses.¹⁵ And there is even significant government help to connect mature products with emerging markets—for example, through investment in export promotion.

There is no equivalent infrastructure in the social field—even though the need for it is even greater. The lack of a private benefit to those who grow successful social innovations means that incentives to grow are weaker. Promising social innovations need intensive support. Without it, it is almost impossible to successfully navigate periods of difficulty and underperformance that characterize even the most successful ideas. Rosabeth Moss Kanter at Harvard once said that every success looks like a failure in the middle.

Government agencies and foundations that want to tackle difficult social issues must work not only to fund promising innovations, but also to nurture them through the difficult periods. Venture capitalists and private equity houses both take an intensive interest in the firms they support—and help the leaders to make a success of them. But in the social sector, funders too often think their role is simply to offer grant funding, and require regular paperwork returns to check that grant conditions are being met.

We need a new set of social innovation mentors that help to support promising innovations through the scaling phase. In some cases, that will mean help to codify a model that has worked well so that others can emulate it easily. In others, it will mean adapting the model so that it can be transferred into other contexts. Sometimes, it will mean helping social entrepreneurs to find other people to hand the work on to—as they are better able to lead the next phase of growth. In other cases, it will be helping social entrepreneurs marshal and present evidence of why their approach works. Whatever the specific answer in the particular instance,

we need a set of social innovation mentors who can tailor it to the needs of the particular context—people who want the promising innovations to scale up and know how to best make that happen.

The federal government should dedicate funding for social innovation mentors, bringing together foundations and state government, with a focus on priority sectors such as youth employment, crime reduction, childhood obesity, and climate change—as well as dedicated support to ensure they can combine deep knowledge of the field with mastery of the many methods for scaling social innovation.

Conclusion

The United States has extraordinary capacities for social creativity, and in many fields has the world's most remarkable, and most successful, innovation systems in place.

Some of these combine public action, philanthropy, and private enterprise—including the IT industry, medicine, and clean tech. But in many of the most important fields for public policy, the whole is less than the sum of its parts. Too many great ideas languish as promising pilots. Too few get the backing they need to address the scale of the problems they're designed to solve.

The United States dedicated itself half a century ago to creating a cluster of institutions such as the National Science Foundation, the Defense Advanced Research Projects Agency, and the National Institutes of Health to guarantee its leading role in technological innovation. These succeeded beyond anyone's imagination.

Now we need an equivalent commitment to public and social innovation to address the ever more complex social challenges that face the American people—from climate change to improving educational attainment and health outcomes. The challenges are enormous, but so is the energy and enthusiasm of the millions of Americans who want to address the issues. We need to be much better at nurturing their ideas and helping those ideas that are most effective to really scale.

Endnotes

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- 2 See E. M. Rogers, *Diffusion of Innovations*, (New York: New York, Free Press, 2003), for more information on growing innovations.
- 3 Robin Murray, Julie Caulier-Grice, and Geoff Mulgan, *The Open Book of Social Innovation* (United Kingdom: Young Federation/NESTA, 2010), available at http://www.youngfoundation.org/files/images/Open_Book_of_Social_Innovation.pdf. See for an overview of over 500 methods currently in use around the world in the social and public innovation field.
- 4 More information available at The Innovations in American Government Awards Program, available at <http://www.ash.harvard.edu/Home/Programs/Innovations-in-Government/Awards> and The Government Innovators Network, available at <http://www.innovations.harvard.edu/>.
- 5 More information available at "OK-First," available at <http://www.innovations.harvard.edu/awards.html?id=3691>.
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About the Young Foundation

The Young Foundation is a center for innovation and entrepreneurship based in London. Over the past five decades it helped give birth to dozens of new social enterprises, public organizations, and private companies, which have together changed the lives of hundreds of millions of people. It currently combines research, social venturing, and work with national and local governments around the world, as well as hosting the global social innovation network SIX.

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