Leadership

An Operating Model to Make Social Innovation Stick

The former chief innovation officer at USAID outlines a way for social sector organizations and funders to build innovation into their DNA.

By Ann Mei Chang | Oct. 30, 2018

Innovation is as essential to social purpose as it is to business profits. But too many organizations embrace the latest fad—whether it be a contest, crowdsourcing tool, or technology platform—while their long-standing operating norms remain unchanged. Not surprisingly, the disruptive potential of these approaches drives an initial surge of excitement, followed by people gradually drifting back into business as usual. I’ve seen this story play out year after year at nonprofits, social enterprises, B Corporations, institutional donors, philanthropists, and impact investors. But, it doesn’t have to.

The field of social innovation has undergone a quantum leap in sophistication with the relatively recent adoption of modern innovation tools such as human-centered design, behavioral science, scaling innovation, lean experimentation, and lean data. However, the resulting whole has often been less than the sum of its parts. Many practitioners are still unclear how this growing jumble of techniques fits together or with existing systems. Worse, piecemeal adoption can fill in a few missing gaps, while simultaneously ignoring other elements equally essential to success. Sometimes it feels a bit like a game of whack-a-mole.

Over the past year as part of the research for my new book, Lean Impact: How to Innovate for Radically Greater Social Good, I interviewed leaders of more than 200 mission-driven organizations across a wide spectrum of geographies, sectors, structures, sizes, and roles to learn what
factors had led to outsized results and what factors had led to stagnation or sometimes even failure. What I found was that while each organization had employed its own unique mix of methodologies, the most successful shared an integrated approach to innovation that was built into its DNA.

Without the right direction, incentives, and success criteria, the most sophisticated tools can only go so far. Promising ideas are birthed, only to hit a wall later due to other priorities, lack of funding, or fundamental flaws in design. Innovation can’t simply be bolted onto traditional systems and structures. Instead, it must be built into the very foundation of an organization.

What we need is a radical overhaul of the underlying operating model for our institutions that includes three basic elements: audacious goals, organizational agility, and markers of progress. While they may sound simple, each is crucial and frequently neglected.

1. **Goal.** A measurable, audacious goal based on what is required for lasting change, rather than what is incrementally possible within existing constraints. What does success look like?

2. **Agility.** The systems, muscles, and culture to quickly learn and adapt in search of the best solution. How can we accelerate our learning?

3. **Markers.** Meaningful measures of performance along with clear success criteria. Are we reducing risk and maximizing value, growth, and impact?

These three building blocks combine to form the foundation upon which social innovation can thrive. They help inject a new mindset that in turn drives priorities and decision-making. To achieve substantial impact, innovation cannot be relegated to the early discovery stage, but rather must become an integral part of an organization’s work throughout the full lifecycle of development and deployment. Providers and funders alike must work in concert to establish a new framework for accountability.

Today, the dominant model of engagement—firmly entrenched in both organizational cultures and grant structures—involves extensive upfront planning followed by faithful implementation. This is a system optimized to deliver predictable results. It is well suited for problems that are understood and solved, where the key challenge lies in effective execution. Think utility company.

In contrast, most of the social sector engages at points of market and government failure, faces high degrees of uncertainty, and grapples with interventions that are far from sufficient. We need better solutions that will reach farther and go deeper. This calls for adaptability, not predictability. As a gross understatement, our current operating model is not fit for purpose.
To provide a framework for organizational change, let’s explore each of the three elements in depth:

1. **Goal: Establish an Audacious Goal**

Discussion of innovation inevitably turns to the appetite for risk and the tolerance for failure. Equally important is the role of aspiration and the drive for success that comes from having a clear and audacious goal. Among the greatest examples was US President John Kennedy’s simple and compelling 1961 call to send a man to the moon before the end of the decade that energized a nation. On the other hand, mission-driven organizations tend to adopt goals that are vague, incremental, or both. In the absence of a tangible target that requires us to stretch, risk aversion and inertia quickly set in. People need a reason to take risks. If they can even come close to the target with business as usual, why take the chance to delve into the unknown?

When I was executive director of the Global Development Lab at the US Agency for International Development (USAID), I discovered that the goal of our innovation programs—including Development Innovation Ventures (https://www.usaid.gov/div) (DIV) and our family of Grand Challenges for Development—had been loosely defined as “identify breakthrough innovations.” The lack of specificity had the presumed upside of making it unlikely we’d ever be perceived as failing. But it provided little guidance on whether what we were doing was working.

With a bit of a push and a lot of soul searching, the team at the lab agreed on a more concrete goal: to identify ten breakthrough innovations in five years that each improved the lives of at least one million people, demonstrated evidence of substantial impact, and had a financially sustainable path forward. The implications were apparent. While the lab had sourced many promising early stage innovations, few had yet successfully scaled. It became clear that we needed to double down on the most promising innovations in our portfolio and help them to reach the next stages of growth.

A goal is the quantifiable grand vision of the change you seek to make in the world, ideally shaped by the size and scope of the need that exists. If a problem plagues tens or hundreds of millions of people, reaching a few thousand will barely make a dent. To put things in perspective, ask yourself, Are you trying to empty the ocean with a spoon or a bathtub with a bucket?

Unfortunately, social and environmental interventions are often planned within tight constraints—of existing budget, limited staff, or the time horizon and dollar amount of a grant. This leads to modest,
incremental progress at best. What if, instead, we determined the size of the need, searched for a viable solution, and then found a way to bring together the resources that would be required?

Too often, we embark on the innovation journey without a concrete grasp of our destination. Whether you are using human-centered design, behavioral science, lean experimentation, or some other approach, knowing how far you’ll need to stretch to move the needle will shape the questions you ask and the options you explore. Here’s what this might look like:

**Recognize the Need** | Four years ago Ben Mangan, the co-founder and former CEO of EARN, wrote about his realization that EARN’s “impact was out of whack with the size of the American economic security problem.” Although EARN’s 7,000 goal-based savings accounts placed it near the top of the micro-savings sector, it was barely making a dent in the 50 to 70 million Americans that could stand to benefit. At an awards dinner in 2012, Mangan stunned the audience by announcing an audacious goal to help one million people save a total of $1 billion by 2022. The clarity of his vision made the need for a lighter weight self-service model obvious. Since this pivot, EARN was able to serve 85,000 new users in the first year of its new SaverLife technology platform, more than ten times as many as during its first 15 years combined.

**Have a North Star** | Early on, MyAgro established a target “to increase the income of a million smallholder farmers by $1.50 per day by 2025.” This North Star drives the team to continually seek ways to simplify their model and cut costs, as it’s clear that financial sustainability will be the only way they can possibly reach this degree of scale. MyAgro’s research and development team constantly tests new ideas, typically starting with three stores and 30 farmers. These experiments have helped them identify numerous improvements to their model such as halving the recommended dose of fertilizer because it saved farmers money while having no discernible impact on yields, encouraging farmers to develop good saving habits because it increased how much farmers put away, and partnering with existing savings groups to lower MyAgro’s operating costs.

**Set the Bar** | Donors and government funders play an important role in determining the benchmarks for success. For example, after recognizing that their public school system was failing, the Ministry of Education launched the Partnership Schools for Liberia (PSL) to identify operators who could deliver superior academic results within the constraints of the government budget. In the first year, contracts were awarded to eight nonprofit and for-profit entities for a total of 93 public schools. A rigorous third-party evaluation found that, on average, PSL students
learned 60 percent more than students in government schools. If results endure and costs decline with economies of scale, the program has the potential to be expanded nationally.

2. Agility: Accelerate Your Learning

With an audacious goal in hand, many organizations then attempt to create a well-honed strategy that can be followed to achieve the goal. But, as the military has well understood, no battle plan ever survives first contact. Rather than assembling the foremost experts and attempting to come up with the perfect plan, the ability to quickly learn and adapt is far more likely to lead to an effective solution. This means finding ways to iterate on a solution in the space of days or weeks, not months or years.

As perhaps the planet’s most prominent hotbed of innovation, Silicon Valley gave birth to the lean startup model (http://theleanstartup.com/), which stresses the importance of accelerating the pace of learning through build-measure-learn feedback loops. To do so, it introduced tools for rapid experimentation using techniques such as minimum viable products, A/B tests, actionable metrics, and innovation accounting. By applying the rigor of the scientific method to systematically validate the riskiest assumptions behind a product or service, you can detect problems early, quickly explore potential enhancements, and eliminate wasted effort.

In contrast, the traditional model for learning in the social sector can resemble that of the now largely defunct encyclopedia. A program is evaluated, a randomized control trial (RCT) run or a research report is compiled—then put on the shelf in hopes someone will make good use of it later. If the intent of learning is to drive innovation and impact, then any data, information, or research collected should be:

- **Actionable.** Only take the time and energy to gather data where a concrete action or decision will be taken based on the result.
- **Meaningful.** Focus on improvements in performance rather than the scope of activity. Consider, for example, the adoption rate, unit costs, or degree of behavior change versus the number of people reached or dollars raised.
- **Fast.** Don’t let perfect be the enemy of the good. If obtaining a comprehensive evaluation will be a lengthy process, look for early indicators of progress.

**Real-Time Feedback |** The American Refugee Committee (http://arcrelief.org/) (ARC) in collaboration with IDEO.org (https://www.ideo.org/project/kuja-kuja) created a real-time feedback system, Kuja Kuja (https://www.kujakuja.com/#/map?timeframe=week), that has been deployed in refugee camps in across Africa to track customer satisfaction with water distribution, health care and other services. Refugees
employed by ARC stand at service locations with mobile enabled tablets and ask two simple questions—are you satisfied with the service and do you have an idea to make us better. The system has enabled ARC to quickly uncover issues ranging from inconveniently placed water taps to water access points being coopted by local thugs, and take immediate action.

**Results that Matter** | Harambee Youth Employment Accelerator ([http://harambee.co.za/](http://harambee.co.za/)) is committed to tackling the youth unemployment crisis in South Africa by matching disadvantaged youth who have never held a formal job with employers seeking qualified talent. While many workforce development organizations are satisfied with celebrating the number of people trained or placed, Harambee takes things a step further. What matters to both workers and employers is success and retention in jobs over time. Thus, Harambee follows up with their job seekers via text messages every four months for two years to keep tabs on critical outcomes such as retention rates and promotions. When it became clear that high transport costs were a major factor in attrition, Harambee increased their emphasis on proximity when making candidate placements.

**Trust and Reward** | Funders can support and encourage agility by moving away from detailed plans that are tracked through cumbersome reporting to agreements on clear goals along with incentives for progress. The [Global Innovation Fund](https://globalinnovation.fund/) and USAID’s DIV both employ a tiered funding model, adapted from the world of venture capital. Small, early stage grants allow for risk-taking, while minimizing financial downside. And, rather than micromanaging activities, demonstrated traction is rewarded through larger, follow-on rounds of funding. Such funding structures relieve both parties from the unproductive, and sometimes adversarial, tedium of compliance and allow for flexibility, risk-taking, and pivots.

3. **Markers: Assess Your Value, Growth, and Impact**

If your *goal* is the destination, and your *agility* enables you to accelerate, break, and steer, what remains are your *markers* of progress—the directions, signposts, and landmarks that will help you navigate your way there. For successful social innovation, we need to pay attention to and optimize across three dimensions: value, growth, and impact. While the ever-expanding array of innovation tools tend to be based on the same underlying best practices, they each tend to emphasize some a subset of the three. ([https://ssir.org/images/blog/socialinnovationvenn_resized.png](https://ssir.org/images/blog/socialinnovationvenn_resized.png))

When we go too far in optimizing for the requirements of any one dimension before addressing the others, we can commit to and over-invest in a design that will eventually fall short. The long trail of
failed social innovations that litter the landscape inevitably fell prey to neglecting at least one of these three dimensions. Some emphasized human-centered design and were highly responsive to customer needs, but became too expensive or complex to scale. Others prioritized business models to drive growth, but sacrificed more meaningful impact. Still others focused on rigorous evaluation of impact, but left the intended beneficiaries unenthusiastic.

Because modifications to improve one dimension may cause ripple effects that influence the dynamics for the others, it’s important to focus attention on the riskiest assumptions and promising opportunities across value, growth, and impact from the start. As we begin to eliminate the greatest points of uncertainty, we can gain the confidence to make more substantial investments and expand our audience.

**Value** | If people wholeheartedly want, embrace, and demand what we have to offer, we are far more likely to make a difference. Thankfully, we have come a long way since the days where well-meaning interventions would frequently be foisted on target populations without their input or buy-in. The growing popularity of human-centered design means that most organizations now engage their beneficiaries to some extent in the design of products and services. These efforts should be encouraged, sped up, aligned towards clearly defined success criteria, and sustained over the full lifecycle.

When organizations don’t consider the perceived value by beneficiaries the results can be disappointing. Take, for example, the case of the clinical trials for Tenofovir, a vaginal gel to prevent HIV transmission. Though the substance was determined to be safe and effective in a highly controlled environment, a multi-million dollar phase-three clinical trial (http://avac.org/sites/default/files/u3/after_facts.pdf) in South Africa showed no statistically significant difference between the placebo group and the treatment group. The reason? Women didn’t use the gel consistently, both before and after every sexual encounter, because they found it impractical in their cultural context. Earlier attention to the client experience could have led to a redesign or at least a less expensive lesson.

In contrast, when Off Grid Electric (http://offgrid-electric.com) in Tanzania first considered selling home solar systems using a mobile money-based lease-to-own business model, it wasn’t sure whether customers would be willing to pay small amounts for electricity on an ongoing basis. So, its first small
pilot consisted of a Maasai tribesman walking from village to village to collect money in person each week. While this was certainly not a scalable model, Off Grid was able to validate user acceptance before making the bigger investment required to build and manufacture an automated system for collecting payments and metering service.

The Fund for Shared Insight’s Listen for Good (http://fundforsharedinsight.org/listen-for-good) initiative seeks to build high-quality feedback loops between nonprofits and their clients. Their small grants and technical assistance help client-facing nonprofits implement a five-question survey based on the Net Promoter System to ensure the perspective of their customers is heard on an ongoing basis. Through their Listen for Good surveys, Nurse-Family Partnership, a nonprofit that supports first-time mothers, heard that their clients wanted more flexibility in scheduling appointments. As a result, they fast-tracked a tele-health pilot (http://fundforsharedinsight.org/grantee_story/nurse-family-partnership-kathryn/) as a backup option when busy schedules or weather prevented in-person home visits.

**Growth** | We need to stop thinking about scale as an absolute number to be attained, but rather the slope of the curve, or acceleration, of growth over time. In the former case, the easy temptation is to seek out donor funds that will drive the next quantum of expansion through brute force, only to see growth stagnate as the limits of philanthropic dollars are exhausted. In the latter case, we instead seek out sustainable models that will continue to drive adoption, build momentum, and eventually lead to the exponential growth required to reach a substantial portion of the need. This typically requires some form of business model, adoption by governments, replication through multiple entities, or policy change.

For all the talk of scaling social innovations, scale still tends to be an afterthought—something to consider after a solution has been successfully piloted. Yet, unleashing an engine for growth can have significant implications that affect the core design of an intervention. If it is market-driven, price sensitivity may require a pared down product or service. If it is through replication, an intervention may need to be simplified to ensure it can be deployed with high fidelity at arms-length. And, if it is government-funded, political, budget, or infrastructure realities may constrain the acceptable footprint.

By taking your endgame (https://ssir.org/articles/entry/whats_your_endgame) into account from the start, the engine for growth can be built into the core of a design rather than retrofitted after the fact.

A shocking reminder of the social sector’s tendency to pilot new solutions without sufficient consideration of the long-term implications was the moratorium on mobile health (https://www.ictworks.org/ugandan-mhealth-moratorium-good-thing/) pilots declared by the government of Uganda.
in 2012. This country had been inundated by dozens upon dozens of organizations implementing programs that were duplicative, lacked a viable path to scale, and didn’t interoperate with either the government health care system or each other. Supporting these scatter-shot efforts became a burden rather than a benefit to the health ministry. And, it wasn’t just Uganda. In 2013, a World Bank study (https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1001382) uncovered almost 500 disparate mobile health programs around the world.

An example of a health initiative that created a sustainable and scalable model is Aravind Eye Hospitals, which was founded in 1976 with a mission to “eliminate needless blindness.” At the time, an estimated 10 million people were blind in India, the vast majority of them from cataracts that could be cured through surgery. After failing in its attempts to raise sufficient philanthropic dollars to build a hospital and provide free care, Aravind decided to cross-subsidize their services for those who couldn’t pay with the earned income from those who could. This model motivated Aravind to dramatically reduce costs and improve efficiency. All patients receive the same high-quality care from the same doctors, with the main difference being the quality of accommodations. Today, Aravind has become the largest provider of eye care services in the world, performing an estimated 300,000 cataract eye surgeries in 2017, two-thirds of which were either free or highly subsidized.

Given the limitations of charitable funding, donors hold a part of the responsibility for transitioning grantees onto a sustainable path for growth. For those with earned income business models, blended finance—a complementary mix of philanthropic and investment capital—can provide the necessary bridge out of donor dependence. While many social enterprises are already financed through custom funding stacks that include grants, debt, and equity, more systemic mechanisms are needed to facilitate broader adoption. One promising initiative is Convergence (https://www.convergence.finance/), established in 2016 as a global network for blended finance that both designs and brokers deals. Convergence believes that by leveraging public and philanthropic funding, as much as ten times more private investment dollars can be unlocked.

**Impact** | The ultimate goal of social innovation is to deliver social impact that persists, to the maximum degree possible. Yet, measuring impact is generally far tougher and far slower than measuring something like e-commerce purchases. As a result, on one extreme some practitioners forgo rigorous measurement and focus instead on counting the numbers of people reached, while on the opposite extreme others slow down their feedback cycle to incorporate time-consuming and expensive RCTs. Fortunately, alternatives (https://ssir.org/articles/entry/ten_reasons_not_to_measure_impact_and_what_to_do_instead)
exist. Acumen's Lean Data (https://acumen.org/lean-data/) initiative and IDinsight have been among the leaders who are filling the need for timely, actionable impact data.

Beyond the question of pure impact, we must also consider cost-effectiveness. It’s not enough to make a difference. We should also consider the value for money relative to the alternatives. For example, I once heard of a program that had raised the incomes of poor farmers by a total of $1 million. Not bad? It seemed far less impressive when I learned that $10 million had been spent in doing so.

When impact isn’t understood, a compelling intervention may cause attention and resources to be diverted from more effective solutions. The widespread replication of microcredit as a financially sustainable way to lift millions out of poverty is one well-documented example. By 2007, the global microcredit industry grew to almost 25,000 institutions serving more than 100 million borrowers (http://www.3ieimpact.org/media/filer_public/2015/10/01/wp25-evaluations_with_impact.pdf). Yet, more than three decades after the birth of the modern movement in Bangladesh during the 1980s, a number of RCTs reported a “lack of evidence of transformative effects on the average borrower.” Even worse, some poor households became mired in debt, unable to keep up with high interest payments.

One area where impact can take a notoriously long time to materialize is education. Summit Public Schools’ (http://summitps.org/) goal of having 100 percent of its participants attend and graduate from college can’t be fully confirmed for a decade. Yet, it recognized the need for a faster feedback cycle. Thus, Summit focused on embedding a culture and process for iterative learning using a technology platform, mentor meetings, and teacher feedback to garner immediate insight into student progress. With this data, it was able to run rapid-cycle prototypes, on a weekly basis, to shape its transformative approach to personalized learning. Modifications ranged from small tweaks in curriculum to a complete reconfiguration of the school day. The Summit Public School model has now been adopted in more than 300 public schools across the United States.

To align the interests of funders and providers around creating the most cost-effective impact, the ideal scenario would be to pay for outcomes. However, this can be impractical, given the cost, time, and difficulty involved in discretely measuring many desirable outcomes—as evidenced by the still limited number of social impact bonds. Yet, smaller steps can play dividends. In their work with King County, Washington to improve timely access to outpatient mental health and substance abuse treatment, Third Sector Capital Partners (https://www.thirdsectorcap.org/) established performance benchmarks, then amended the existing provider contracts to offer a 2 percent bonus for meeting targets. In addition, by 2020, a
greater portion of payments will be linked to outcomes, raising the bar on what it will take to stay competitive.

**Fall in Love with the Problem, Not Your Solution**

If you are true to your goal, remain agile, and stay focused on meaningful markers of progress, you may find yourself facing some tough choices. The solution you initially envisioned may simply not work, or be the best option. That disruptive technology you’ve committed to deploying might not be appropriate. The opportunity to raise more money, gain more glory, or expand the footprint of your organization may not exist. Are you prepared to do what it takes to solve the problem? All the theory on innovation is only as good as the willingness to act on it.

Most people don’t realize that one of the most successful social enterprises, d.light (http://www.dlight.com/), didn’t start out selling solar lanterns. While it has been unwavering in its goal to provide the 1.6 billion people who live without electricity access to affordable light, its first design, the Forever-Bright, was a low-cost LED light run off batteries that could be recharged by a diesel generator. This worked well in its initial markets of Myanmar and Cambodia, where children would shuttle lead acid batteries every few days to generators to be recharged. But as d.light expanded into India it discovered that generators weren’t as readily available. This caused it to pivot to a new approach—solar—and it never looked back. D.light has now sold close to 20 million solar light and power products in 62 countries.

When we hear the word innovation, we inevitably imagine the process of birthing a breakthrough idea no one has thought of before. This is based on a widely held misconception of the term. New ideas are a dime a dozen. In fact, most of the good ideas we need probably already exist (https://ssir.org/articles/entry/enough_innovation_already). The tough part is refining and deploying an invention to make a meaningful difference in the world.

**Evidence Action** (https://www.evidenceaction.org/), has taken this to heart and works to build scalable programs based on research studies that have already demonstrated successful results. One such endeavor is their **Deworm the World Initiative** (https://www.evidenceaction.org/dewormtheworld) that aims to reach the more than 800 million children who are at risk of parasitic worm infections that can negatively impact their health, ability to learn, and future productivity. Building on existing data, Evidence Action works with policymakers to design and implement effective deworming programs at a state and national level. Through their support of India’s National Deworming Day alone, the program treated approximately 260 million children in 2017.
It's time to shift our attention from the adoption of new innovation methods to the institutionalization of an operating model where innovation can thrive. This requires audacious goals that will force us out of our comfort zones, an emphasis on agility over planning, and a laser focus on the markers that indicate strong performance. With these foundational elements in place, the growing choice of tools, techniques, and experts will become ever more powerful and essential. Without them, our efforts will be stymied as we find ourselves continually swimming upstream.

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