

Stanford SOCIAL INNOVATION Review

Informing and inspiring leaders of social change

Scaling

Earning the Right to Scale

Throughout the nonprofit sector, scaling is viewed as a cardinal imperative. But a surprising number of organizations are not (or not yet) equipped to expand their impact. Is your organization truly ready to scale? Here is a tool to help you find out.

By [William F. Meehan III & Kim Starkey Jonker](#) | Mar. 30, 2018

The needs that nonprofit organizations aim to meet are immense. And they keep growing: Several factors—including demographic changes and reductions in public sector support—are on track to create a gap of \$100 billion to \$300 billion between the cost of meeting those needs and the level of funding that the US nonprofit sector as a whole can expect to receive in the coming years. (We developed this projection by analyzing historical rates of change in the factors that drive costs in the sector.)

These growing unmet needs, coupled with the presence of economies of scale that affect most nonprofits, mean that achieving social impact at scale has never been more important. Even so, the sector is rife with examples of nonprofits that fail in their pursuit of that goal. Many organizations remain small, despite efforts to expand. And many organizations that grow in size fail to grow in impact. This dynamic often occurs because organizations are too quick to move into scaling mode. They regard their right to pursue impact at scale as a given. Yet organizations that succeed in expanding their impact almost always begin that process by establishing that they are scale-ready and, indeed, scale-worthy. In short, they “earn the right” to scale, and they do so by excelling at all of the essential elements of nonprofit performance.

Earning the right to scale, in our view, takes place as the culmination of a deep, long-term commitment to strategic leadership. That’s our term for a model that brings together seven essential elements. Before an organization begins to scale up its operation and deepen its impact, it must have all of those elements in place. It must develop a clear and well-focused mission, *and* it must hone its strategy, *and* it must practice rigorous impact evaluation, *and* it must display the kind of insight and courage that foster real change. Equally important, it must manage its talent to build a high-performance organization, *and* it must fund its efforts adequately, *and* it must ensure effective board governance. In a [previous article](#), we focused on three of these elements (board governance, funding, and impact evaluation), but to truly succeed at scaling, organizations need to tackle all seven elements in a comprehensive way.

A [survey we conducted](#) to determine how well nonprofits are faring in these seven areas drew responses from more than 3,000 people in the nonprofit sector. This survey, which we released in 2017, provides empirical data on the extent to which nonprofit organizations today are (or are not) scale-ready. More than 80 percent of respondents indicated that their organization struggles to perform at a high level in one or more of the seven elements of strategic leadership. Most organizations, in other words, fall short of having earned the right to scale up their work.

The Seven Elements of Strategic Leadership

Strategic leadership is an approach that combines fact-based problem-solving with a rigorous focus on execution. In practice, it requires that organizations not only do good work, but also work in a highly intentional and effective way. In our model, strategic leadership consists of two main factors—strategic thinking and strategic management.

Strategic thinking involves building a well-designed engine to achieve real and lasting impact. It incorporates these four elements:

- **Mission:** Successful nonprofit organizations pursue a clear and focused mission. No nonprofit can thrive if it loses sight of its core purpose or if it falls prey to mission creep. Research shows that more-focused companies outperform less-focused ones—a finding that is highly applicable to the nonprofit sector as well.
- **Strategy:** We define a nonprofit’s strategy as a planned set of actions that are designed to achieve its mission. The best nonprofits develop and follow a rigorous, comprehensive strategy that informs all of their program work. In doing so, they often draw on the few strategic concepts that truly matter to nonprofits. (We explored these concepts in a [recent SSIR webinar](#).)
- **Impact evaluation:** High-performing nonprofits conduct regular evaluations (including randomized controlled trials when appropriate) to assess results, and they rely on a feedback loop that enables data to shape and reshape strategy.
- **Insight and courage:** The leaders of effective nonprofits excel at reckoning with challenges and opportunities. The heart and soul of these leaders—their ability to see things others don’t and go where others won’t—are often an essential starting point for pursuing work of enduring impact.

Strategic management involves developing the necessary fuel to drive an organization’s enduring impact. It incorporates these three elements:

- **Organization and talent:** Sustaining a high-impact nonprofit requires that leaders recruit the right people and place them on the right teams. Staff members, however capable they may be, will succeed only within a solid organizational structure.
- **Funding:** Effective nonprofits generate adequate funding to meet both program needs and operational needs. By targeting the right donors in the right way, they are able to break the “starvation cycle” that has long hampered many organizations.

- **Board governance:** Nonprofit excellence ultimately requires an approach to board governance that bolsters the practice of strategic leadership. An effective board will draw on a range of engaged, curious, and impact-driven members to guide top-level decision-making.

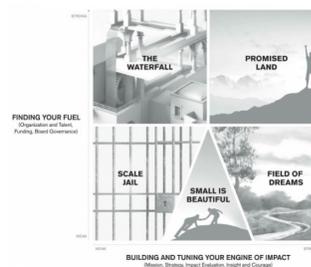
One organization that exemplifies strategic leadership is **Pratham**, the largest nongovernmental provider of educational services in India. By 2017, the organization had expanded to 21 of India's 29 states, and in that year alone it reached 5.7 million children. "Pratham had a mandate to scale at birth," says Madhav Chavan, cofounder of the organization. But from the start, Pratham also had a plan for scaling—one that involved deliberately building a wide range of essential capabilities. In effect, the organization has become scale-ready by marshaling the seven components that make up our model.

Pratham has an admirably brief and well-focused mission statement: "Every child in school and learning well." It has crafted its strategy thoughtfully and has carefully grounded that strategy in a proven theory of change. Pratham also stands out for its commitment to rigorous impact evaluation: As of 2016, it had undergone 11 randomized evaluations. Its leaders have consistently displayed insight and courage—starting with an ambitious vision for growth that Chavan and his colleagues developed back when it was a small operation in Mumbai. The organizational structure of Pratham reflects significant creativity in how it balances expansion across multiple states with strong local autonomy. To fund its work, it has created Pratham USA and Pratham UK as vehicles for mobilizing support from members of the global Indian diaspora. In its handling of board governance, Pratham has operated at a high level as well.

The Readiness to Scale Matrix

In our combined 60 years of studying, evaluating, and advising nonprofits, including best-in-class organizations such as Pratham, we have come to understand the qualities that enable scaling efforts to succeed. Based on this work, we developed an analytical tool, called the Readiness to Scale Matrix, that can help nonprofit leaders evaluate whether their organization is truly ready to expand its impact in a meaningful way—and if not, why not. (On the basis of this matrix, we have also created an [online diagnostic tool](#) that organizations can use to determine whether they have earned the right to scale.)

The matrix has two axes that correspond to the factors we just outlined: strategic thinking and strategic management. Some organizations score high or low on both axes; others score high on one and low on the other. On the basis of such scores, any given organization will fall into one of five categories, and each category aligns with a specific level of scale-readiness. In analyzing results from our survey, we were able to discern where nonprofit organizations today tend to fall on the matrix. Here is a brief overview of the five categories.



The Readiness to Scale Matrix (click to enlarge).

Scale jail: Many organizations cannot and will not scale because they have mastered neither strategic thinking nor strategic management. In our survey, 37 percent of organizations fell into this category. These organizations are neither ready nor able to scale their impact anytime soon. Before they can do so, they must master the basics of identifying a clear and focused mission, develop a strategy based on that mission, and adopt rigorous impact evaluation to assess results.

The waterfall: Other organizations excel at generating resources—ample funding, in particular—but falter when it comes to building an impact model that would justify and enable significant expansion. Inspired by a work of the same name by the artist M.C. Escher, we call this segment "the waterfall." As in that drawing, a nonprofit that gets caught here will seem like an impossible object of perpetual motion—an organization based more on illusion than on reality. It will experience a free flow of resources, even as it achieves only slight impact. In our survey, 15 percent of organizations fell into this category. These organizations must resist the siren call of growth for its own sake. Just because they can invest in expanding their operations doesn't mean that they should do so. They, too, must focus on the basics of strategic thinking.

Small is beautiful: Some organizations—a local theater group, for example, or a neighborhood soup kitchen—provide a needed service in one locality or to one small target population and are exactly as large as they should be. They lack the resources or aspiration to support an aggressive growth plan, but they exhibit a level of strategic thinking and strategic management that enables them serve the needs of a specific population. In our survey, 10 percent of organizations fell into this category. In most cases, these organizations should keep doing what they're doing. They must ignore the pressure to be something that they are not, and they should reject the assumption that if something is worth doing, it is worth doing on an ever-larger scale.

Field of dreams: Yet other organizations have a well-built engine, but they need to generate certain types of fuel to scale their impact. In our survey, 27 percent of organizations fell into this category. These organizations are poised to scale, and indeed the future of the nonprofit sector as a whole depends on their capacity for building on the solid foundation they have created. They need to assemble the essential elements of strategic management—recruiting talented executives and staff members, attracting steady support from donors, and mastering the art of board governance.

Promised land: A few organizations have fully earned the right to scale by mastering all of the components that make up strategic thinking and strategic management. In our survey, 11 percent of organizations fell into this category. These organizations must work diligently to continue performing at a high level in all seven components of strategic leadership. There is no guarantee that they will remain in this category forever. For this reason, they should continuously reassess their ability to practice both strategic thinking and strategic management.

As the survey revealed, far too many nonprofits remain stuck in scale jail or in the waterfall. Very often, such organizations have erred by pursuing growth before they are ready and able to magnify their impact; they have tried to achieve scale before earning the right to do so. But by practicing strategic leadership—by working to excel in the areas of performance that comprise strategic thinking and strategic management—many nonprofits can move toward a field of dreams and ultimately toward a social sector promised land.



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