Stanford SOCIAL INNOVATION REVIEW

Winter 2011 Volume 9, Number 1

The Dragonfly Effect

How to use social media for social good.

By Jennifer Aaker & Andy Smith

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Collective Impact

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Disseminating Orphan Innovations

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Microfinance Needs Regulation

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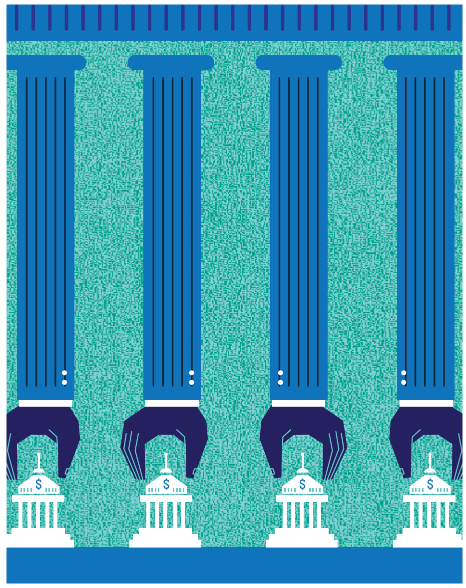

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Gladwell Misses the Mark

Malcolm Gladwell, author of *The Tipping Point*, is a master of pulling together difficult and often obscure ideas from social science and writing about them in a way that many people not only understand, but also find stimulating. His influence on public discourse and opinion is enormous. On occasion, however, Gladwell's efforts go awry, as they did recently in his *New Yorker* article "Small Change: Why the Revolution Will Not Be Tweeted."

In "Small Change" Gladwell argues that social media like Facebook and Twitter are not an effective way to create social change, and that all of the excitement about them by people trying to create a better world is misplaced. Two of the people Gladwell singles out for criticism are Jennifer Aaker and Andy Smith, the authors of our cover story "The Dragonfly Effect." To give Gladwell his due, he does make some important points about the limits of social media in creating social change, but in trying to counter the hype over social media he veers too far in the other direction, all but dismissing them as important new tools.

The core of Gladwell's argument is that social change is created by activists who have developed strong personal relationships with one another as a result of attending the same school or church, living together, or having other types of ongoing face-to-face contact. He uses the U.S. Civil Rights Movement as his prime example, but also references Italy's Red Brigades and the Afghan mujahideen. Social media, by contrast, are based on weak social relationships, according to Gladwell. People and organizations can have thousands of "friends" on Facebook, and many more than that following their tweets. He cites the example of the Save Darfur Coalition that has 1.2 million Facebook members, most of whom have very little to do with the organization's work or with one another.

"The evangelists of social media ... seem to believe that a Facebook friend is the same as a real friend and that signing up for a donor registry in Silicon Valley today is activism in the same sense as sitting at a segregated lunch counter in Greensboro [N.C.] in 1960," writes Gladwell. That may be good rhetoric, but it mischaracterizes the way that most activists and organizations use social media. The African-American students who sat in at the Greensboro lunch counter and the Marxist-Leninists who were a part of the Red Brigades were deeply committed activists. No one, not even the most bullish promoter of social media, would say that the level of activism exhibited by these two groups could be created or sustained by social media alone.

I've spoken with dozens of people at organizations of all types that are using social media in creative ways to further their goals, and none of them think that social change can be achieved solely through social media. Rather, they see social media as new and important tools in their toolkit, which complement other types of work, including more intimate ones. Facebook and Twitter, along with more traditional Internet tools like e-mail and websites, make it much easier and less expensive for social activists to reach large and diverse numbers of people. And if done right, those connections can also help prod people to various types of action. Social media will never replace face-to-face relationships, but they are certainly an important addition. ■

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Be Understanding

THANKS TO AUTHOR Suzie Boss ("Do No Evil," *SSIR*, vol. 8, no. 4, p. 66), who articulates well a key challenge all corporate funders face: namely, identifying the approach with the best potential for achieving positive change for our communities. For-profit organizations have an obligation to customers, employees, and shareholders to remain viable as a commercial entity. Even the most philanthropic of corporate cultures needs to find ways to serve the community while managing the business responsibly, and it can be a difficult balancing act. Although Boss's concerns about Google's narrow focus on tools and the potential for missed opportunities to support low-tech solutions are legitimate, I would argue that Google is just one of many funders, and its renewed, clarified focus will likely yield positive results in the long run. Certainly if every funder took the same approach as DotOrg, there would be serious gaps in the overall fabric of corporate-community-government partnerships attempting to address serious social issues. But by focusing on what it does best, and marshaling its talented, innovative staff to develop solutions, Google will be doing its part to improve our world in the way it is most likely to meaningfully contribute. Funders are not able to be all things to all people (or issues), and positive change and sustainable impacts are less likely to happen when a company pursues activities that are not a fit with its competencies and culture.

MARLENE IBSEN
President and CEO
Travelers Foundation
Hartford, Conn.

Although Boss's concerns about Google's narrow focus on tools and the potential for missed opportunities to support low-tech solutions are legitimate, I would argue that Google is just one of many funders, and its renewed, clarified focus will likely yield positive results in the long run.
—MARLENE IBSEN

THE PREMISE OF THE ARTICLE is that a massive (and massively innovative) corporation has failed to achieve the amount of impact on the philanthropic side that it had promised. This is not a problem unique to Google. I suspect a review of corporate philanthropy would turn up many companies that had overpromised and underdelivered. The point is not to call into question the motives or capabilities of Google.org's leaders. Nor is it to indict the boldness of vision of Google's founders and early leaders. But the hybrid vision of public company and private philanthropy that Google.org summoned at its inception calls for at least this much public scrutiny. The tension between tight-lipped corporate focus and a more transparent approach is a real and difficult one. I haven't seen any other such careful account of the evolving strategy and leadership of Google.org. Well done, *SSIR*.

KARSTEN BARDE
MBA Candidate, Class of 2011
Tuck School of Business at Dartmouth
Hanover, N.H.

ALTHOUGH GOOGLE APPEARS to have been guilty of a bit of "overreaching" in its early years, there also seems to have been an appropriate revision to their philanthropic approach along the way. It is important to maintain a positive tone when talking about any commercial enterprise that has formally dedicated corporate resources to philanthropy and social service. When we use phrases such as "they've donated only $1.3 million" or "this raises questions about the company's commitment," and then state that their efforts "may smack of hubris or narrow vision," we fall into a trap of presuming that companies have a principal obligation to invest in social sector work. We can certainly hope that companies understand the value of supporting the greater community, but it is not their core obligation to do so. The responsibility is ours, as leaders in the social sector, to work with organizations like Google—and to come prepared. We must understand their goals and capabilities, and then lay out a proposal that gets them excited about providing support. By setting aside time and resources, Google has shown that it is a powerful potential partner. Now it's our job to help turn that potential into a force of positive social change.

Mark Knowlden
Board Chairman
The Vital Foundation
Gig Harbor, Wash.

Be Brave

Stephen Goldsmith's "Innovating Public Systems" (*SSIR*, vol. 8, no. 4, p. 25) places leadership and innovation squarely in the spotlight when considering how to improve the performance of public schools. There is little question that innovative leadership is the first step to public systems change. In choosing to highlight the initiatives of Michelle Rhee, Washington, D.C.'s [former] public schools chancellor, Goldsmith supports his thesis well. Her work in public education as an exemplar of leadership and innovation is right on point. I want to take it one step further. Let us recognize bravery as an essential characteristic of a successful innovative change maker in a public system. To state that Rhee has received more than her share of criticism is an understatement. She had the vision, she built the team, implemented the plan, and continues to exhibit the necessary bravery to champion high-quality classroom education for the children of her school district—above all other interests and claimants. Social entrepreneurs may not risk investment capital in the same way as do many for-profit business entrepreneurs, but they do assume risk, and many times it is personal and also very public.

Jim Falkiner
Mark E. Johnston Professor of Entrepreneurship
Manchester College
North Manchester, Ind.

Be Diligent

Suzanne Morris's experience, as detailed in "Freeing the Social Entrepreneur" (*SSIR*, vol. 8, no. 4, p. 36), shocked me, but perhaps not for the reasons intended. What struck me was that Morris learned only after starting work as the COO that there had been four other COOs in the previous year and a half. Shouldn't this have emerged in her preemployment due diligence? Was the problem that her enthusiasm took the place of thorough due diligence, or did the nonprofit fall short on transparency? Bankers looking to have social impact need to apply the same skills and diligence as they did in the banking sector—and nonprofits hoping to expand their human capital base should be aware that an understanding of the importance of social entrepreneurship is not the same as an understanding of managing a multiple bottom line. Regardless of whether we are entrepreneurs, investors, or other types of change agents, successful new ventures require strong teams. Each of us needs to be aware of our strengths and weaknesses in order to build on the former and overcome the latter.

Lauren A. Burnhill
CEO
One Planet Investments
Washington, D.C.

Thanks for a very useful framing of the problem. I do have one quibble: My experience as interim CEO for nonprofits in crisis tells me that some of the five "essential leadership roles" can, in fact, be outsourced. During the small- to medium-sized phase of an organization's development, outsourcing the Realist/CFO function may produce better results. With some creativity, the Connector or the Scaling Partner roles might even be outsourced. Crucially, though, these positions must be held by someone with the right skills who sees herself as committed to and accountable for the full role you describe and who can develop the right relationships. She can't just be someone who contracts, or is hired, to perform tasks. If we get that right, whether she gets a W-2 or a 1099 isn't that big a deal.

Pat Nichols
President
Transition Leadership International
Washington, D.C.

Be Thoughtful

In his review of Eric Pooley's book *The Climate War*, "Climate Soldiers" (*SSIR*, vol. 8, no. 4, p. 16), Stephen Schneider asks, "Can democracy survive complexity?" This is a key question. In my view, democracy needs reform to be able to accommodate the kind of complexity that is all around us, but most especially in science. One system that does seem to work is the citizens' jury—whereby a group of ordinary people spend time together investigating a topic, hearing expert evidence, etc., before reaching a view and giving judgment on a key question. In our modern media age, rule by simple majority can all too easily mean rule by media magnate and corporate interest lobby.

Oliver Tickell
Principal
Kyoto2
Oxford, England

It was great to read Schneider's review. I read the book recently, and it gave me a much better understanding of who the players are, what the battles are, and why getting any deal done in the current administration is so tough. Overall, Pooley's book made me angry—which is a good thing. More people should be angry with the politicians and the fossil fuel industry that are succeeding in blocking action on climate change. Since Schneider's untimely death, I felt compelled to read his book *Science as a Contact Sport*, and it is absolutely terrific. His description of the five horsemen of the environmental apocalypse—"ignorance, greed, denial, tribalism, and short-term thinking"—go a long way to explaining the failure of the U.S. Senate to act.

Franke James
Artist and Author
Toronto

Be MAD

The MAD model for leadership in the social sector that Mark Albion proposes in his article "Monk, Architect, Diplomat" (*SSIR*, vol. 8, no. 4, p. 21) makes sense. It helps to be *mad* about the existing state of affairs; it helps to be a bit *mad* to keep going some days; and it helps to use Albion's MAD model to build an organization that will prosper.

Paul Hudnut
Co-Director, Global Innovation Center for Energy, Environment, and Health
Colorado State University
Fort Collins, Colo.

A fantastic piece. It brings a fresh perspective and a useful model for organizational transformation and leadership transition. "Leadership is an act of liberation, not of control." How profoundly true! I wish every social entrepreneur in this part of the world could learn and apply the simple nuggets contained here. I will surely use and pass this piece on to my colleagues.

Chinedu Yves Nwagu
Accountability and Justice Manager
CLEEN Foundation
Lagos, Nigeria

By Jessica Ruvinsky

CIVIC ENGAGEMENT

Volunteering for Number One

▶ To get into a top university in the United States, academic achievement isn't enough; you have to demonstrate "how wonderful you are as a human being" by volunteering for good causes, says Femida Handy, a professor of social policy and practice at the University of Pennsylvania. That is not true everywhere. In India, where grades and test scores alone often determine admissions, one high school student told Handy that he didn't volunteer because colleges wouldn't take him if they found out he wasn't studying all the time.

If volunteering makes such a difference, are students doing it primarily to pad their résumés? Handy and an international group of researchers administered a survey in a dozen countries, including Belgium, South Korea, Australia, and Finland, to find out. "Very few people will tell you, 'I volunteer for myself.' So what we tried to do was to elicit responses by asking questions about the benefits of volunteering," says study co-author Ram Cnaan, a social work professor at the University of Pennsylvania. "And regardless [of the question], we found that the No. 1 reason among any group of volunteers is 'I want to do good.'"

Students did not rate résumé building as their top motivation to volunteer in any country. Altruistic and value-driven motivations always came first. Also, volunteering is no more frequent in the countries where service is assumed to be most useful to the volunteer (primarily Canada and the United States). The highest participation rates—more than 80 percent—were in India and China, where service doesn't help a student get into a university. Canada and the United States follow closely behind with participation rates in the high 70s, and Croatia and Japan bring up the rear.

Chae Kim, a pre-dental student, volunteers in the pediatric ward aboard the U.S. Navy hospital ship Mercy.

PHOTOGRAPH BY NICK DE LA CRUZ

These results please Sarah Jane Rehnborg, associate director of the RGK Center for Philanthropy and Community Service at the University of Texas at Austin. When Rehnborg surveyed 1,500 students for a different study, she didn't ask whether they were padding their résumés—"It's a somewhat cynical question"—but 94 percent responded that compassion toward people in need was their motivation for serving. "And even if people are serving to build a résumé, I don't know that that's bad," Rehnborg says. "One of the ways you learn about what you want to do is by getting out there and doing it."

One strong finding of Handy and Cnaan's study was that students who volunteer for selfish reasons do it less—they invest fewer hours in service and don't show up as often. "If you're motivated more by résumé, all you have to do is a little and it's on your CV," says Cnaan. He suggests to administrators that they "make the contract very clear to this type of student." So do students volunteer just to pad their résumés? "Almost every student you talk with, when you probe for about five minutes, admits he or she was told it was good on the résumé," says Cnaan. "It's a major factor. But nobody volunteers only for egoistic motives—they won't last." ■

Femida Handy, Ram A. Cnaan, Lesley Hustinx, et al., "A Cross-Cultural Examination of Student Volunteering: Is It All About Résumé Building?" *Nonprofit and Voluntary Sector Quarterly*, 39, 2010.

WELL-BEING

Can't Buy Me Laughter

▶ All over the world, people who have more money say they are happier. But that might not always be the case, according to a large new global study of the relationship between wealth and happiness. "People have been arguing for a long time about whether money buys happiness, but it's a bit more contextual than that," says James Harter, a research psychologist at the Gallup Organization and an author of the study. "There are big differences depending on how you measure well-being."

"Happy" could mean you think your life is going well overall, as the word has connoted in previous studies. It could mean you smile and laugh a lot in a given day. Or it could just mean you're not suffering much. The researchers used the Gallup World Poll, representing 96 percent of the planet's adult population, to look at well-being from multiple angles. More than 136,000 people in 132 countries completed the questionnaire from 2005 to 2006.

It turns out that the kind of happiness money can buy worldwide is a high evaluation of oneself. The more wealth and luxury conveniences, such as televisions and computers, you have, the better you view your life. That rich people think they are happier even if they don't enjoy themselves more is "not a surprise," says Carol Graham, a happiness researcher and senior fellow at the Brookings Institution. The survey framed the self-evaluation question in a global context, asking people to rate their lives on a scale of "worst" to "best possible." "And somebody in Togo knows the best possible life is not in Togo," says Graham.

At the lower end of the income scale, money can contribute to feeling less bad: If it gets food in your stomach and a roof over your head, having more will decrease your anger, sadness, worry, and depression. After meeting basic needs, though, money loses the power to soothe—the United States is the richest nation and also populated by the most worriers.

As for actually enjoying oneself? Money is almost no help. The researchers found that social and psychological needs—being treated with respect, having friends, learning new things, doing what you do best, and being able to choose how you spend your time—trump everything else, no matter where you live. "The thing that surprised me most was how consistent some of these patterns were across different parts of the world," Harter says.

Graham's own research reveals similar trends. People in Afghanistan are happier than the world average; and "after having enough food to eat, the most important thing to Latin Americans' happiness is having a friend or family member they can fall back on in times of need," Graham says. Although it's true that people in developing countries have the social and psychological means to be as chipper as New Zealanders (who scored first in positive feelings), happiness may not be an appropriate goal for development. "People make do with what they've got," Graham says. "They adapt to prosperity and they also adapt to adversity. ... People in Kenya are as satisfied with their health as people in the United States, even though objective standards are moons apart." ■

Ed Diener, Weiting Ng, James Harter, et al., "Wealth and Happiness Across the World: Material Prosperity Predicts Life Evaluation, Whereas Psychosocial Prosperity Predicts Positive Feeling," *Journal of Personality and Social Psychology*, 99, 2010.

MANAGEMENT

Generation Me at the Office

▶ Today's youngest workers are, on average, lazier and less selfless than previous generations. Many companies have been appealing to the Millennial Generation's altruistic values as a tool to recruit young employees, "but that strategy's not going to work any better now than it did 15 or 30 years ago," says Jean Twenge, a professor of psychology at San Diego State University. "It might even work a little less well."

According to Twenge's latest research, what has changed most about work values through the generations is that "millennials place a much higher value on leisure—things like a job that has at least two weeks vacation, a job that has an easy pace, and a job that allows time for other things in your life," says Twenge. "They're also more likely to say work is just for making a living, less likely to say work is a central part of their life, and less likely to say they are willing to work overtime to do a good job." At the same time, extrinsic rewards—money, respect, and status—are more important to them than they were to boomers.

Twenge's study draws on a large database called "Monitoring the Future," a national survey of high school seniors that has been conducted every year since 1976. Twenge and colleagues used three time points representative of three generations. Boomers (born 1946-1964) experienced the civil rights and women's movements, the assassinations of JFK and Martin Luther King, the Vietnam War, and Watergate. Gen X (born 1965-1981) went through the AIDS epidemic and the fall of the Soviet Union. The Millennial Generation, also known as Generation Me (born 1982-1999), grew up wired and watched the fall of Enron. GenMe's answers to the survey questions, from making friends on the job to making a difference in the world, seem to show "less interest in work in general," says Twenge.

Are nonprofits suffering from the rise in selfishness this study found? According to Tim Wolfred, a senior project director at CompassPoint Nonprofit Services, applications to nonprofit jobs are up again. Wolfred adds, "I experience [the younger generation] as working as hard as any of their predecessors—certainly very dedicated to their work, and working much smarter." Of course, trends are just averages, and in the nonprofit sector, "You're going after the segment of the generation that *does* want to make a difference and be worthwhile to society," says Twenge.

The way to recruit the best of them is to appeal to their desire for a balanced life. "This generation wants work-life balance right out of the gate, even when they don't have children," says Twenge. Give them "more vacation, some flexibility in schedules, the ability to work at home," she says, so "they can spend time with a friend who comes to town or take off for a few days and go skiing. The phrase 'mental health day' is a rather recent invention." ■

Jean M. Twenge, Stacy M. Campbell, Brian J. Hoffman, et al., "Generational Differences in Work Values: Leisure and Extrinsic Values Increasing, Social and Intrinsic Values Decreasing," *Journal of Management*, 36, 2010.

"O.K., on my signal we're going to shift from pre-millennial to post-millennial thinking."

CARTOON BY ROBERT MANKOFF/THE NEW YORKER COLLECTION/WWW.CARTOONBANK.COM

CIVIL SOCIETY

One Villager, One Vote

▶ Increasingly in the developing world, when governments make local policy they are listening to local voices. But whose voices, exactly, get heard? Concerned that elites in Indonesia dominated decision making at the local level, Benjamin Olken, a development economist at the Massachusetts Institute of Technology, designed a field experiment to compare the effects of alternative democratic institutions. Would direct elections result in fairer outcomes, and happier citizens, than the current system in which a few representatives deliberate among themselves?

"Villages were deciding what kind of local public good they wanted to build," says Olken. "They had a block grant and they could decide how they wanted to use the money, whether it should be to build a road, or a well, or an irrigation system," or something else. In one of the first randomized field experiments of its kind, Olken designated the political process itself. He picked out 49 villages representing more than 100,000 people participating in the Indonesian Kecamatan Development Program (KDP), which is funded through a World Bank loan to finance small-scale infrastructure activities. Some of the villages continued to choose their preferred proposal at a meeting attended by a small group of village leaders—the usual KDP way. In the remaining villages, Olken set up direct election-based plebiscites in which every eligible citizen could vote.

"The key finding is that the plebiscite process resulted in dramatically higher levels of satisfaction and legitimacy of the program and of the proposal," says Olken. Having had the opportunity to vote, the people in the study were more satisfied with the development program and judged the winning proposal fairer. They were more likely to agree that the project was "in accordance with the people's aspirations," that they would use the project, and that it would benefit them personally.

Interestingly, this was true despite the fact that villages chose exactly the same proposals through both political processes. They decided to build roads and bridges about 60 percent of the time and water and sanitation projects about 12 percent of the time, regardless of whether the decision was made at a village meeting or by a direct election with 20 times as many people participating.

That direct plebiscite did not change the ultimate decision is surprising. Still, it makes the increase in satisfaction all the more striking. "It's some of the clearest evidence we have that the process can matter even if the outcomes don't change," says Olken. It shows that "direct participation can be a legitimizing force," and when soliciting local input for community-driven development programs, "the details matter a lot. There's a real difference between direct participation and indirect participation." ■

Benjamin A. Olken, "Direct Democracy and Local Public Goods: Evidence from a Field Experiment in Indonesia," *American Political Science Review*, 104, 2010.

ENVIRONMENT

Bring Polluters Back In

▶It is not race or class that makes communities more susceptible to industrial pollution. The reason that environmental justice research has produced "very mixed results," says Don Grant, a sociologist at the University of Arizona, is that it's been asking the wrong questions.

People, from sociologists to activists to policymakers, "like to reduce problems like pollution to a single factor, such as race or income. But our findings suggest it's more complex than that," and should include traits of the polluting firm, says Grant. "It doesn't make sense to focus on one particular variable; it makes more sense to talk about these things coalescing in certain ways."

Grant and his colleagues used data from the U.S. Environmental Protection Agency's Risk-Screening Environmental Indicators on the toxic emissions of individual facilities and their associated health dangers. They appended to these data not only neighborhood characteristics such as race and income, but organizational features like the size of the facility. Then the researchers employed a novel statistical technique called "fuzzy set analysis," which, instead of simply assuming linear and straightforward causes, allows for the unexpected.

"What we're finding is that there are multiple pathways to the same dangerous outcome," says Grant. By changing the framework, Grant and colleagues resolved many of the field's paradoxes. It's not that one study is wrong and another is right, he says. "Our study is showing that poverty and minority presence *do* have inconsistent effects: They are important in some contexts and not in others."

Each of the recipes for risk that Grant identified validates seemingly contradictory, prior case study findings. For example, one of the most potentially hazardous combinations is a large absentee-owned plant in an African-American neighborhood. Another is a neighborhood with both large African-American and Latino populations—a contributing factor other studies have described as ethnic churning. A third is the interaction between being poor and being African American.

"It's not race *or* class, it's both, and it can be both in different ways in different kinds of neighborhoods and in relation to different kinds of firms," says Scott Frickel, an environmental sociologist at Washington State University who reviewed Grant's paper. Frickel thinks the new method "actually gets us a lot closer to what's really going on out there."

This is more than just theoretically important. "When you can identify the types of facilities that are dangerous in certain types of communities, that lends itself to some kind of policy remedy," says Grant. It could help regulators to focus their efforts on the most potentially harmful facilities, firms to focus their improvements on the most efficient pathways, and scholars to focus their research on the most fruitful case studies. "There's an entirely different way to look at this," says Frickel. ■

Don Grant, Mary Nell Trautner, Liam Downey, et al., "Bringing the Polluters Back In: Environmental Inequality and the Organization of Chemical Production," *American Sociological Review*, 75, 2010.

HEALTH

Virtual HIV Prevention

▶ Keisha's boyfriend invites her over when nobody will be home, and almost instantly the lovers are in bed. Will they use a condom? The answer can be life changing, but the moment of decision is just plain awkward. An interactive DVD slows down that moment, allowing viewers to choose different scenarios, and pauses the action at key points so viewers can mentally rehearse the interaction along with Keisha.

This HIV prevention tool is one of 20 computer-mediated interventions that, in aggregate, were recently shown to work as well as human counselors. The field of health education "is kind of at a crossroads right now," says Seth Noar, a professor of health communication at the University of Kentucky who led the study. "We've developed all these [effective] programs, but we've done a terrible job getting them into practice." Even interventions proven to increase condom use and to reduce sexually transmitted disease rates rarely make it out the lab door. "Why do we keep developing these human interventions, when in most cases they can't be disseminated—oftentimes for reasons as simple as cost?" asks Noar. "Let's have computers do a lot of this counseling."

A worker packs condoms at the Human-Care Latex Corporation in Tianjin, one of China's biggest condom producers.

Noar and his colleagues analyzed all the existing studies that test high-tech behavioral interventions to help prevent the spread of HIV by "developing people's skills, improving their attitudes about condom use, and increasing their knowledge about STDs and HIV," says Noar. By 2009 there were 20 such trials, the first published in 1997. "Really, the most surprising part was that the effects are quite similar to those that have been found in human-delivered interventions." For example, teenage girls who struggled along with Keisha on the condom question were two and a half times more likely to be sexually abstinent for three months after participating in the interactive program, and less than half as likely to report an STD six months after the computer-mediated intervention, than a control group who didn't follow Keisha's story.

"This is the first synthesis that shows we can use technologies like the Internet to successfully intervene and facilitate healthy sexual behavior," says Sheana Bull, a professor of community and behavioral health at the Colorado School of Public Health. It reveals enormous potential, since computer-based programs combine some of the strengths of personal interactions with the broad sweep of mass media campaigns. "You can reach large numbers of people in a pretty efficient way, but also you can tailor content at an individual level," says Noar.

Bull is currently experimenting with Facebook and text messaging to reach at-risk populations, but she doesn't think computer-mediated interventions are a panacea. "I would caution anyone to avoid using the computer to replace effective face-to-face communication and health promotion," says Bull. "It's not going to have the same ability to evoke empathy or clear understanding of an individual's problem or circumstances. But it can still be a very good tool for providing clear, consistent, standardized information." ■

Seth M. Noar, Larson B. Pierce, and Hulda G. Black, "Can Computer-Mediated Interventions Change Theoretical Mediators of Safer Sex? A Meta-Analysis," *Human Communication Research*, 36, 2010.

Ideas > Q&A

MANISH BAPNA believes that the path to solving global climate change runs straight through China, which is why the World Resources Institute is putting so much effort into working closely with the country and its leaders.

PHOTOGRAPHS BY D. A. PETERSON

MANISH BAPNA IS the executive vice president and managing director of World Resources Institute (WRI), where one of his priorities is deepening WRI's involvement in China. WRI first began working in China in the late 1980s, concentrating on helping create cleaner transportation systems in cities and on finding investors for small- and medium-size companies that sell environmentally friendly products and services. Two years ago WRI opened an office in Beijing, its first office outside of Washington, D.C. The organization has now broadened its work in China to include climate change and water.

Bapna brings a great deal of global experience to this work. Before joining WRI, he was the executive director of the nonprofit Bank Information Center (BIC), which promotes sustainability in the projects and policies of international financial institutions. Before joining BIC, Bapna was a senior economist and task team leader at the World Bank, where he led multidisciplinary teams in designing and implementing community-driven water, watershed, and rural development projects in Asia and Latin America.

WRI focuses on policy research and analysis, working with government, business, and NGOs. With more than 200 employees and an annual budget of about $28 million, WRI has been an important behind-the-scenes player, helping Belize protect its ocean reefs and prodding the U.S. Environmental Protection Agency to create new regulations for biofuel greenhouse gas emissions.

In this interview with *Stanford Social Innovation Review* Managing Editor Eric Nee, Bapna explains the deliberative way that WRI went about setting up its Beijing office, the challenges of working with the Chinese government, and the lessons WRI has learned from working in China that other organizations can benefit from.

Eric Nee: Until recently World Resources Institute had only one office, your headquarters in Washington, D.C. Why did you open a second office in China?

Manish Bapna: Over the past decade there has been a fundamental shift of economic and political power away from the United States and the West to countries like India, Brazil, and in particular, China. One striking example would be China's central role in the Copenhagen climate talks, where Europe was largely sidelined.

It's not a stretch to say that the development choices China makes over the next 20 years are going to profoundly shape the future of the planet. So we believe that to deal with climate change it is absolutely essential to engage proactively with China.

This is also true for a wide range of other global environmental issues—for example, China's appetite for commodities. WRI has a major forest program, and we recognize that to find more effective ways to protect the world's forests, we need to deal with the buyers. And one of the biggest buyers of forest products is China.

So why can't we influence Beijing from Washington, D.C.? The main reason we opened an office in Beijing is the complexity of working in China. Not only are there time, linguistic, and cultural barriers, but understanding the political economy of how decisions are made, and engaging effectively in those processes, is not easy to do from afar.

There are many environmental issues that you could tackle in China. How did you decide what to concentrate on?

We have been active in China for quite some time, but this represented a whole new ballgame. So after making the decision that we wanted to deepen our presence in China, we spent at least a year talking with government officials, Chinese NGOs, international think tanks, and multinational companies trying to understand what the opportunities in China were for WRI. What value can we bring? Whom should we partner with? What are some of the legal issues for how we scale our presence in the country? The process was crucial for being able to articulate our identity in China.

In addition, we decided to appoint a Chinese country director and to hire primarily Chinese staff. That was important in bridging the cultural gap that otherwise would have existed. We also thought it was important to have non-Chinese staff in our Beijing office who can offer lessons from other countries. This bridge building is seen as particularly useful from a Chinese perspective. We also set up an advisory committee to help ensure that our priorities and strategies were relevant to the Chinese.

What issues did you end up focusing on?

We asked ourselves three basic questions. First, what are China's most important environmental challenges? Second, what near-term issues are Chinese decision makers most interested in? And third, given our expertise and skills, where can WRI add the greatest value? We decided, for example, not to work on forestry. We have quite a bit of capacity in this area, but there were a lot of organizations already working on forestry issues in China and it was not clear what more we would add. We chose to concentrate on water and climate change because it was clear what value we could add, and because these areas embrace both economic development and environmental issues. We did not want to focus exclusively on climate change, because it's perceived in China to be largely a global issue. So we balanced that by selecting an issue that was of significant domestic interest within China, which is water. It was important for WRI to be perceived as understanding and responding to the day-to-day pressing challenges facing the country.

How has WRI had to change in order to be effective in China?

We work actively to promote good environmental governance around the world, framed by the universal principles of transparency, inclusiveness, and accountability. We recognize that how these principles are put into practice will vary quite a bit from country to country. And quite candidly, we're still struggling over how to advance these principles in China.

We've found that there isn't as much receptivity to these issues in China if we try to address governance head on. But if we frame these issues in the context of specific environmental challenges, like water, we can have considerably more traction. For example, we're developing a water scorecard that can provide people living near a body of water with basic information on the health of the lake or the river system. This information can be used by the government to evaluate its own performance and by the public to hold local government and businesses accountable for keeping that water body healthy.

Interestingly, China has strong environmental policies in place on paper. The real challenge is ensuring compliance with these policies at the local level. By creating tools like the water scorecard we can begin to address some of the environmental governance challenges that underpin many of the problems that China faces. We are trying to focus on solutions rather than problems.

There's a terrific piece of advice that I received while we were developing this strategy: Be neither a panda hugger nor a dragon slayer. What that means is that we try to stay true to our values, but find ways that are not directly confrontational. We're often asked to comment on China's environmental policy positions, especially on climate change. So striking a balance between commenting on their positions and building a working, trust-based relationship with the Chinese officials can be tricky. But at the end of the day, when we have to think about how we will respond to what China is doing, our core value of maintaining independence informs what we do. I would argue that the Chinese government actually values and respects an independent view if it is premised on strong analysis.

Which plays to WRI's strengths.

Right. WRI's focus is nicely aligned with China's goal of scientific development and the values that their society places on sound science and analysis. Most Chinese government officials are engineers and scientists and that plays to the value proposition that we bring to China. For example, in China there's a premium placed on in-depth analysis, which results in an interesting difference in how we communicate and engage with policymakers. We were struck that Chinese policymakers actually prefer lengthy, rigorous reports, and that these reports are often read carefully. It's striking to contrast this with our communication efforts in the United States, where we spend quite a bit of effort distilling our work into two-page summaries for U.S. policymakers.

What has been your biggest success since opening your Beijing office?

China is a huge and complex country, and the most that a relatively small organization like WRI can do is to facilitate new, more sustainable approaches to development. So our theory of change has been to focus on creating pilot projects that demonstrate new models or approaches to a more ecologically sustainable and socially inclusive approach to growth. If these pilots are successful, they can be easily replicated or scaled.

One of our projects that we are most excited about is helping the Chinese cement industry measure and manage its greenhouse gas output. China is the leading emitter of carbon dioxide in the world. The cement sector alone accounts for about 15 percent of China's emissions, or 3 percent to 4 percent of global carbon dioxide emissions. Given the rapid pace of urbanization in China, this is going to increase if left untouched. We played an important role in supporting the government's planning agency requirement that cement companies measure their energy use and greenhouse gas emissions.

You can manage and reduce only what you measure. A few years ago we worked with the World Business Council for Sustainable Development to create a measurement tool called the Greenhouse Gas Protocol. The Chinese government mandated that this protocol be used by all 5,000 cement companies in China. If the program is successful it can serve as a model for measuring greenhouse gasses in other carbon-intensive sectors such as steel or aluminum.

Earlier in the year, the Chinese government, as part of the International Climate Negotiations, made a commitment to reduce the carbon intensity of its growth by 40 percent to 45 percent by the year 2020, relative to 2005 levels. They are actively seeking opportunities to reduce energy use, especially in their heavy industry sectors.

Why is China so aggressively cutting emissions?

They are doing this for many reasons, to reduce cost, to address energy security challenges, and to demonstrate to the world that they are responsibly trying to tackle the climate change problem. For those working on environmental and social causes, framing these issues in a way that is aligned with China's national economic priorities is essential. So we framed our work on climate change as an opportunity to create high-quality jobs, improve energy security, and reduce costs. We find that provides much better traction with the government than if we talk about greenhouse gas reductions. It is no different in the United States. At the end of the day, national interests matter, and we need to think about how to connect or align our issues with national interests.

China appears to be embracing green energy much faster than the United States and most other countries.

Thirty years of economic growth that has averaged around 10 percent a year has created tremendous change. It is difficult for those of us in the United States to fully appreciate this pace of change. In the past year more money has been invested in clean energy in China than in any other country. China has significantly scaled up wind production and is actively deploying new solar technologies. Energy efficiency is a national priority.

In the past year more money has been invested in clean energy in China than in any other country. Energy efficiency is a national priority.

Let me give you one anecdote. About two years ago, I accompanied one of our colleagues to an appliance store in China. We were shopping for a washer and dryer and wanted to see the efficiency ratings for those machines. It was virtually impossible to find any information about how efficient a washing machine was. Today, that information is available for almost every household appliance. It is remarkable how quickly the environmental issue is moving in China, not just in policy and investment, but also in public awareness and purchasing decisions, especially in the larger cities. One needs to remember that China is many countries. There are the rich cities, like Beijing and Shanghai, which are more similar to New York and Washington, D.C., than they are to the rural parts of China. But there are also many poor areas. We shouldn't forget that China is still a developing country, with 36 percent of the population still living on less than $2 a day.

At this point, most of the new technologies and solutions for solving environmental problems originate in the West. Do you see a time when China will provide the solutions for the West?

We are going to have to rely on the ingenuity of the engineers and the scientists in India and China to solve many of our problems. In recent years India has developed the $2,000 car, the $35 tablet computer, and the $30 cataract surgery. Because they have such a significant but relatively poor population, they have taken existing products and driven down the cost radically. It's a concept called frugal innovation. There is an incredible opportunity in these countries to turn their creativity toward driving down the cost of the technologies that are needed to solve many of the world's most pressing environmental problems.

Is that happening?

It is starting to happen. If you look at the production cost for wind or carbon capture and storage in a developing country such as China, compared with Germany or the United States, there is a big difference. But we need more dramatic reductions in costs. And the nature of the markets in China and India, where you have significant populations that have relatively less purchasing power, can help create the incentives for those radical redesigns.

What's clear from our conversation is that unless you're in China interacting with people daily, it's easy to have misconceptions about what's going on there.

Yes. One of the things that I've been particularly struck by is the considerable suspicion that still exists between the United States and China, which might even be widening. If any major global challenge is going to be tackled in the near future, then building trust between the two countries is essential.

We've been trying to construct mechanisms for the exchange of ideas and perspectives in both directions, not only to ensure that ideas and solutions from the rest of the world are channeled to China, but to ensure that Chinese perspectives and solutions are shared with the rest of the world. The Chinese are keen for such a platform because they believe they have much to contribute. We believe such a platform can help build trust. And that trust is critical if more cooperation between China and the rest of the world is to emerge. ■

Ideas > Reviews

When Good Is Just Not Good Enough

Review by Jane Wales

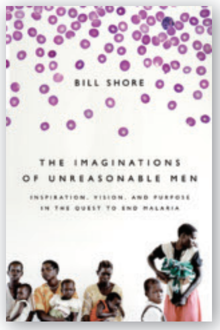
THE IMAGINATIONS OF UNREASONABLE MEN: Inspiration, Vision, and Purpose in the Quest to End Malaria
Bill Shore
320 pages, PublicAffairs, 2010

The eradication of malaria is an "audacious goal," according to Melinda Gates. "But to aspire to anything less is just far too timid a goal for the age we're in. It's a waste of the world's talent and intelligence, and it's wrong and unfair to the people who are suffering from this disease." These words, uttered in 2007 by one of the world's more admired philanthropists, sum up the spirit of Bill Shore's latest book, *The Imaginations of Unreasonable Men*.

An unabashed enthusiast for technology and social innovation, Shore contrasts a clinician's obligation to treat individual patients' symptoms with the work of medical research teams whose mission is to find the cure that can eradicate malaria. It is the approach of this latter group that he argues philanthropists should embrace, urging them to leverage markets to achieve their aim. "When we focus on the one rather than the many, on the symptom rather than the cause, on what we can accomplish on our own rather than on what needs to be accomplished by the broader community, we neglect our greatest opportunities to do the greatest good," he writes.

Shore points to the success of low-tech preventive measures, such as the distribution of bed nets. But he notes that malaria continues to take its toll, with the World Health Organization (WHO) reporting 243 million cases and 863,000 deaths from malaria in 2009. Between 300 million and 500 million people are infected with malaria each year, and although adults usually survive, approximately 3,000 African children die from malaria each day. Almost 50 million of the world's poor have died of malaria in the past 15 years. The economic toll in Africa is believed to be billions of dollars per year. Despite these shattering statistics, Shore tells us that global spending on malaria is less than $2 billion per year.

But although there has never been a vaccine for a parasitic virus such as malaria, a small number of people are seeking to create one. The WHO is currently tracking 35 vaccine development efforts. Shore tells the stories of many of these inspirational scientists and those who provided the support for their quest.



Shore's book starts with the source of its inspiration: a young girl he met in Yetebon, Ethiopia, who later died unnecessarily of malaria. This experience set him off in search of an answer to the daunting challenges that malaria presents. What he found were bold innovators—"unreasonable men"—who are dedicating their lives to developing the first vaccine.

Among those he describes is Steve Hoffman, whose innovation, entrepreneurship, leadership, and willingness to do whatever it takes to save children from malaria have brought him many steps closer to the disease's eradication. Hoffman is seeking to develop a vaccine through extracting parasites from the salivary glands of malaria-infected mosquitoes—a technique previously dismissed by his peers. Sanaria, his private biotech firm, is the only company in the world that is focusing entirely on malaria vaccine development, according to Shore. Through his attempt to bring an existing solution to scale, Hoffman is combining science, philanthropy, and market economics—a model that Shore argues removes "the market gaps that so often undermine social solutions."

But strategy is not the sole focus of the book. Shore describes the spirit, attitude, and character that drive the scientists he meets, appealing to the inventor in all of us. He summons the reader to stretch further, to imagine new solutions, to take seemingly unreasonable risks to address the sources of daily dangers faced by the poor. Shore outlines what he calls the critical "character qualities" of those who seek to tackle the dangers faced by politically and economically marginalized populations around the world. He notes that the invisible hand of the market will not alone solve the endemic problems they face. Finding solutions requires "irrational self-confidence" and "a willingness to take risks that often seem unreasonable right up until the moment they succeed."

At the heart of Shore's analysis of necessary qualities, strategies, and risk taking is an emphasis on the importance of innovation. He cites some of the most successful social innovations, including Wendy Kopp's Teach for America and Victoria Hale's OneWorld Health, among others. Shore argues that these triumphs begin with a belief that anything is possible, and anything less is simply a "failure of imagination."

At times the author seems infatuated with the world of scientific discovery and technology innovation, wowed by the bold curiosity of a profession that perseveres and won't take no for an answer. But his central message flows naturally from his energizing and at times breathless enthusiasm. When faced with bone-chilling statistics, "unreasonable" risk taking is the only reasonable response.

Furthermore, this eagerness for taking on intractable problems has been a hallmark of Shore's professional life. He founded the national nonprofit Share Our Strength in 1984 in response to the Ethiopian famine and to concern about hunger in the United States. Shore's previous career in politics, along with his passion for philanthropy and innovation, is the source of his view that we can indeed find solutions to society's largest problems.

He has practiced what he preaches. And the motivator for much of his work is captured in the book's mantra: "Good is not good enough." ■

JANE WALES is vice president of philanthropy and society at the Aspen Institute, founding CEO of the Global Philanthropy Forum, and CEO of the World Affairs Council of Northern California. Previously, Wales served as special assistant to the president and senior director of the National Security Council in the Clinton administration, as well as associate director of the White House Office of Science and Technology Policy.

Climate Speculations

Review by James L. Sweeney

CLIMATOPOLIS: How Our Cities Will Thrive in the Hotter Future
Matthew E. Kahn
274 pages, Basic Books, 2010

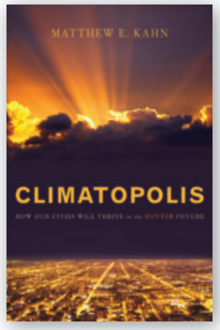
As the world begins to confront the mounting challenges of greenhouse gas emissions and global climate change, there are two broad categories of responses. Most frequently advocated are mitigation strategies in which emissions of harmful greenhouse gases are reduced. Less frequently discussed are adaptation strategies, in which people, animals, and plants adapt to changing climatic conditions. It is this latter class, specifically adaptation within cities, that Matthew Kahn describes in his thought-provoking book *Climatopolis*.

Kahn speculates that competition among cities and individual entrepreneurs will lead to fundamental changes in the structure and functioning of cities. Some cities will be well positioned to naturally reduce the very real risks associated with climate change, and others will be poorly situated. All else equal, the former will thrive and the latter will shrink as people vote with their feet. But it is not simply the natural advantages and disadvantages of cities that will speed or slow their growth. Leadership actions in those cities—some motivated by city leaders and others demanded by their residents—may be even more fundamental in determining how cities fare.

An objective evaluation of this approach can help assess which cities will thrive and which will falter with climate change. But such an evaluation remains speculative, because most human decisions about urban adaptation to climate change have not yet been made. And these decisions will change —positively or negatively—the consequences brought about by climate change.

Kahn is no stranger to speculation, and sure enough, speculation pervades his book. But it is speculation informed by deep understanding of the dynamics of cities and the economic forces that motivate innovation, innovation, investment, and change.

Kahn's book is not utopian. He recognizes that many consequences of climate change remain unknowable. He points out that enlightened institutions are failing to implement adaptations to reduce future climate change risks. One reason is that the consequences of global climate change will evolve slowly enough that many institutions can wait to adapt later. And with profound uncertainty about future patterns of climate change, most people don't know whether particular adaptations will be desirable. They can analyze; they can speculate; but most cannot be certain that particular changes will be worth the cost. City leaders also underestimate the real risks or have incentives to hide such risks. *Climatopolis* points at but does not sort out these possible reasons for lack of institutional change.



One of Kahn's focuses is municipal corruption, particularly in developing countries. Corruption takes resources from cities that could be used to make necessary changes. And corruption reduces adaptation, because decisions by corrupt officials are not generally motivated by best long-term outcomes. Even non-corrupt governments can get in the way of adaptation. Regulation can mask market signals needed to motivate individuals and corporations to reduce overall climate risks. For example, buildings constructed in areas that may flood as the sea level rises should face higher insurance premiums than those constructed on higher ground. Such price variations would give market signals that motivate appropriate adaptation. Yet governments may label such differentiation as price gouging, and blunt price variations. Elected governmental members may be too absorbed with the short-term consequences of their actions to focus on the fate of their cities. Their cities will not adapt prospectively to climate change either.

The subtitle of Kahn's book is *How Our Cities Will Thrive in the Hotter Future*. They may in fact thrive. But *Climatopolis* provides

James L. Sweeney, a professor of management science and engineering at Stanford University, directs the Precourt Energy Efficiency Center and is a senior fellow of the Hoover Institution, the Stanford Institute for Economic Policy Research, and the Freeman Spogli Institute for International Studies.

plenty of reasons why many cities will not thrive. And the specific adaptations, although not the general process of innovation and adaptation, are highly speculative—not only in their form but also in their consequences. Appropriately, Kahn provides encouragement for readers to develop their own speculations about how individual cities may flourish or falter with climate change.

Kahn characterizes his book as optimistic. It may be. But one is left with a profound sense of not knowing how severe the consequences of climate change will be for any particular city or region of the world. Adaptation ultimately may be insufficient to solve most problems caused by global climate change. And adaptation is definitely not free; typically it requires many costly investments. Even the best adaptation to global climate change will be very costly to the world's cities.

A careful read of *Climatopolis* is an invitation *not* to rely solely on urban adaptation. As the author argues, adaptation should not be the sole strategy to deal with global climate change. Mitigation is still crucial. Yet the U.S. government continues to shun economic incentives, such as carbon taxes or carbon markets, needed for aggressive mitigation.

My advice: Read the book with an open but critical mind. Reading and reflection should stimulate your own speculations about urban adaptation in the face of climate change. And your mind will be nicely stretched, whatever you ultimately conclude about Kahn's speculations. ■

The Quintessential Entrepreneur

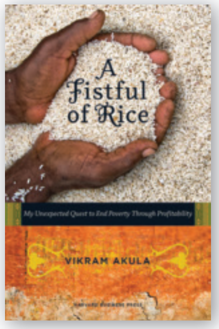
Review by Jonathan C. Lewis

A FISTFUL OF RICE: My Unexpected Quest to End Poverty Through Profitability
Vikram Akula
208 pages, Harvard Business Review Press, 2010

A Fistful of Rice by Vikram Akula is not a book. At a mere 208 pages, it is a fat pamphlet. The operative adage might be "don't judge a book by its size," because a book is better judged by the accomplishments of its author and the social enterprise he founded—in this case, SKS Microfinance. In 1998, after six months of lending, SKS, at the time a nongovernmental organization, had 165 borrowers. Today, the for-profit company serves nearly 6 million Indians with microloans.

For both author and reader, an autobiography is always fraught with danger. Typically, chapters brim with Twitter-like personal life details and self-analysis topped off by self-justifications. On the other hand, a good autobiographer teaches by example. For readers of these pages, an autobiography should proffer insights into social entrepreneurship, of which *A Fistful of Rice* contains a few:

- Don't expect to go it alone. Borrow and synthesize ideas from others. My favorite example in the book is when SKS models its loan officer-training program on McDonald's Hamburger University. Another is borrowing Coca-Cola's product standardization as a model for designing microloans.



- Personal toughness matters. To attain his goal of a sufficient "level of discipline" and reliability to build trust among local villagers, Akula says he is forced to harden his heart. In his own words, "sometimes, being firm with destitute, even desperate, people felt cruel rather than strategic."
- Learn by doing. The book is replete with examples of trial and error learning. Like every social entrepreneur, Akula is constantly testing and retesting ideas, processes, and procedures.
- Self-sacrifice is normative. In the heady world of policy and investment conferences, it is easy to forget the incredible tenacity and endurance demanded of a social entrepreneur in the developing world. In the early days of SKS, Akula and his two co-workers began every day at 7 a.m. and worked until 11 p.m. The living conditions were often less than basic.
- Personal courage and values count. At the very outset, local politicians and gangsters demanded bribes from Akula, and at one point they threatened him with death. Whatever refined Western values you hold dear, Akula's memoir warns they will be tested in this field.
- Some management problems are never solved. In the case of SKS, peaceful coexistence with leftist rebels in SKS's service areas remains an ongoing challenge.

The book opens with Akula's moment of epiphany. He is in his 20s, a first-generation Indian American on a Fulbright Scholarship in a remote Indian hamlet talking with a solitary, desperately poor woman. "I looked closely at her," he writes. "Life had beaten her down, but it hadn't beaten the hope out of her. This, I thought, was exactly the kind of person we should be lending to." But his aid organization was out of funds. Akula resolves "a new mission: to solve the problem of how to make microloans available on a mass scale."

This kind of epiphany is nearly universal for social entrepreneurs, reinforcing that their work is less about money and profits, and always deeply personal. If you care about your work, the poverty reduction mission, and your community, then it hurts when colleagues let you down, your social enterprise stumbles, funding is denied, or other hurdles materialize.

The most poignant parts of *A Fistful of Rice* convey the author's reverence for Muhammad Yunus, at whose Grameen Bank Akula studied. Fast-forward to the spring of 2010. SKS becomes the second microfinance institution to sell shares of the company to the public, prompting Yunus to make this derisive comment in *Microfinance Focus*: "The concern is that when you put an IPO, you are promising your investors that there is a lot of money to be made and this is a wrong message. Poor people should not be shown as an opportunity to make money out of."

Akula takes great pains to argue the opposite case. Indeed, the point of the book is that private investment capital is allowing SKS to reach millions of needy microborrowers in an ethical way. He distances SKS from the lending policies and practices of the controversial Mexican microlender Banco Compartamos, noting: "There's a big difference between charging the highest interest rate you think the market will bear, as Compartamos has done, and charging rates that allow for continued expansion without pushing the market to its limit. … We don't

Jonathan C. Lewis founded MicroCredit Enterprises in 2005 and today serves as its chair on a pro bono basis. He is also the founder and CEO of the Opportunity Collaboration and a contributing blogger at *The Huffington Post*.

believe in either the Grameen approach or the Compartamos approach."

Because the SKS IPO postdates the book's publication, the informed reader will want to investigate the facts to see if they square with the author's views. A May 17, 2010, *Microfinance Focus* article details the complexity of SKS Microfinance's growth, documenting that Akula developed a speculative social venture with available capital financing. To my knowledge, there are no extant charges that SKS Microfinance has exploited the poor on the road to profits.

To assail SKS's financial backers for making a risky bet, and then for realizing financial returns from that very social investment, seems simplistic. Instead of criticizing the social investors, foundations, and donors who put their investment capital at risk in a socially responsible way, we should applaud them.

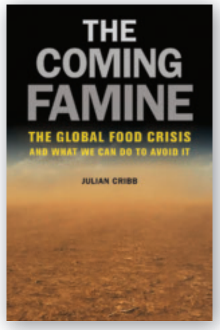
In the end, Akula reveals himself to be the quintessential entrepreneur: pragmatic, persistent, a bit pushy, and—as he himself admits—egotistically overconfident. This, it turns out, is a winning combination. ■

Food Solutions

Review by Janine Yorio

THE COMING FAMINE: The Global Food Crisis and What We Can Do to Avoid It
Julian Cribb
248 pages, University of California Press, 2010

Although most would agree that the world's population is growing, no such consensus exists on the topic of an impending food crisis. Rather, there are two sides to this debate: Those who worry that the world does not have enough natural resources to feed the growing population, and those who dismiss the argument as alarmist. Julian Cribb's *The Coming Famine* takes the position that a global food shortage is inevitable if the human race does not soon rethink the way it eats, farms, and fishes.



Setting aside the inevitable comparisons to Thomas Malthus, whose predictions about famine proved to be vastly overstated, Cribb's book, without a doubt, is alarmist. The message he hammers home: "The coming famine is a planetary emergency," which should not be ignored.

Surely Cribb, in researching this book, is aware that writers before him have sounded a false alarm on the same topic and have miscalculated the timing of a world famine. But he does not refute their arguments. Rather, he believes that we are approaching a hungry time "for the simple reason that the world has never been so populous or its resources so fragile."

I agree with Cribb that a major problem is brewing, one that if ignored will be disastrous. My life's work is devoted to preventing the very food shortages that he predicts. And I, too, believe that the human population will create serious strains on the current food production system, and that broad changes must occur to head it off. But I see the possible solutions differently.

Janine Yorio is the founder of NewSeed Advisors, a New York City-based investment bank that focuses on the sustainable agriculture industry and hosts the Agriculture 2.0 conferences.

Foreshadowing the situation that will arise when shortages occur, Cribb points out that many of the hungriest parts of the world tend to be the most war-torn. "Food ... is a powerful peacekeeper," writes Cribb. "We either eat—or we fight." In his view, there is more at stake than chubby Americans dropping a few dress sizes. What we face is all-out warfare, even in places where people historically have been both well fed and peaceful.

To stave off this calamity, Cribb urges consumers to waste less, to consider food sources, and to develop small farms, which he calls "smallholdings." Cribb believes that technology holds some solutions, although he is disheartened by "paralyzing complacency and neglect of agricultural science and technology." Spending on agricultural technology research has, in fact, dwindled since the 1970s, and as a result crop yields have not seen the double-digit increases that they had during the Green Revolution. Cribb argues that "the world's food supply is not sufficiently secure that we can afford to turn our back on any technology that may help to address these issues in a safe and sustainable fashion," and I wholeheartedly agree. Although much of the world is stable in terms of food, many of the gains are tenuous at best, and the quest for new technological solutions must continue.

Yet I disagree with Cribb's designation of who should catalyze this research. Although he suggests that governments should invest more in "sustainable agricultural research and development," I feel strongly that the solutions will come from the private sector and collaborations among profit-driven entrepreneurs, much as recent environmental solutions have come from companies focused on clean energy and fuel-efficient automobiles. Venture capital investors are already hunting for companies that can solve the food system's complex problems. Meanwhile, research initiatives driven by the U.S. Department of Agriculture tend to support the tried-and-true, the multinational agribusiness companies that have both improved global food security and perpetuated dependence on petrochemicals, pesticides, and phosphate-based fertilizers. I prefer to place my bets on small companies, university spinouts, and farmers, to commercialize resource-efficient ways of producing food without destroying the planet.

Still, I applaud Cribb for rolling up his sleeves and recapping the strongest arguments for the coming famine. In doing so, he has created an excellent—almost encyclopedic—primer on the topic of global agriculture reform. But if you are looking for a new angle, you will not find it in *The Coming Famine*. There is no new information, no new theory here. Instead, Cribb uses the book's 248 pages to catalog the most prevalent arguments for a food crisis, most of which have been in circulation for a decade.

If you are looking for an entertaining read, this is not your book, either. Cribb's writing is fluent but dry; there are few anecdotes to make this pill easier to swallow. As a result, his book may find its way into the hands of academics and public policy wonks, but it is unlikely to reach an audience big enough to catalyze grassroots change. Perhaps Cribb will inspire Malcolm Gladwell or Michael Pollan to tackle the same topic with a mass-market audience in mind. ■

An Unusual Merger

A housing and health care charity for the elderly makes British history when it acquires a for-profit care company BY DAVID GRAYSON

We were coming to the end of a routine board meeting when Finance Director and Deputy CEO Pushpa Raguvaran dropped a bombshell. "How would the board feel about a potential bid for a group of publicly quoted care businesses?" she asked. "We would be in competition with private equity firms and commercial care businesses."

Raguvaran and the management team at Housing 21 (H21), a U.K. housing and health care charity for the elderly, had already proved to be innovative. The 46-year-old organization had won the only two Private Finance Initiative contracts for older people's housing offered by the U.K. government. (Private Finance Initiatives are public-private partnerships in which public infrastructure projects are funded with private capital.) From its origins as a Registered Social Landlord (RSL), the enterprise pioneered the concept of extra-care housing, whereby tenants maintain their own apartments but are part of a community with on-site care and support services that ramp up as the tenant becomes mentally or physically frailer. H21 was also the first RSL to develop expertise in dementia care.

Nevertheless, the proposal to bid for a for-profit company was bold. As nonexecutive chairman, I felt my mind racing through a series of questions. Did the board have the expertise on to oversee such a bid? Did the senior executive team? Even if we had the necessary expertise, did the board and executive team have the ability to try? Would the Claimar owners and their professional advisors (KPMG) take us seriously? Was the invitation to bid genuine, or would we be wasting time and money? How would our new regulator, the Tenant Services Authority (TSA), view such a move?

H21's 2007–2012 corporate plan was to double the size of its care business to 60,000 hours per week. We previously assumed that this would be organic growth through winning new contracts from local authority social service commissioners. We had looked at small acquisitions previously, and we had done a couple of single contract, family-owned business acquisitions in the previous year. But we had never considered buying a public limited company or national business. Claimar, however, fit with our growth objectives. The board quickly decided that the staff time and professional fees we would incur while examining the bid would be justified by the experience our management team would gain in reviewing the U.K. eldercare market. Furthermore, we had two experienced bankers on the board.

DAVID GRAYSON chairs Housing 21. He is director of the Doughty Centre for Corporate Responsibility at the Cranfield School of Management in Bedford, England, and has 30 years of experience as a social entrepreneur.

ILLUSTRATION BY ADAM McCAULEY

DID WE WANT TO WIN?

A few weeks later, and with a board working group delegated to oversee the bid process, we faced far more difficult questions: Did we want to win, and if so, what would be the maximum bid price? Were we being suitably cautious about assumed synergies? Did we have the management capacity for integrating Claimar if we won? Were there likely to be more interesting future opportunities that a successful bid for Claimar would preclude us from exploiting? Would tenants or the TSA react negatively to a bid?

After a few nerve-wracking days, we decided to bid 39 pence per share, valuing Claimar at approximately £19.5 million—and won. The press was uniformly positive. "Buy-out champions bowled out by charity amateurs" was the verdict of an Aug. 8, 2009, *Times* story. "Money well spent" was the headline on an *Inside Housing* article.

My colleagues' and my summer had been turned upside down, with 14 extra board and working group meetings, often held at short notice. The board had to cover issues unfamiliar to a number of us.

As chairman, I was responsible—for the first time in my life—for a takeover bid conducted under the very rigorous rules of the U.K. Takeover Code and the Takeover Panel.

Now the question was what would happen after the successful bid. We asked every experienced person we knew: Why do commercial mergers and acquisitions (M&As) fail? How do we avoid the fate of the majority of M&As that don't deliver the promised added value—and even destroy value? What are the specific integration issues facing a nonprofit that acquires a for-profit group of companies?

The initial integration was not without drama, as we grappled with sensitive organizational and personnel issues within the acquired companies. There was also the hurdle of absorbing a group of for-profit companies into the culture of a nonprofit social enterprise. Two senior Claimar staff left early on.

With input from friends and colleagues with wide commercial M&A experience, board members identified several critical success factors. They included communicating the timescales for restructuring and deciding which parts of Claimar would be retained or sold. We spent an intensive day as a board and executive team interviewing the leadership of each of the main subsidiaries we had acquired. This "eyeball" time gave us a better feel for the potential chemistry among the principals as well as the strategic choices we had to make.

We decided that our priorities were first to ensure no loss of service to clients. Only then would we try to seek synergies and business improvements. We aimed to identify the best practices of each organization, not just to maintain business as usual at H21. Claimar's finance director became interim financial director for the merged organization, and Raguvaran became the merged organization's new CEO.

INTEGRATING AND ADDING VALUE

The businesses we acquired looked after some of the most vulnerable and high-need people in our society. They were not just elderly people in need of housing with care and health services. One of the acquired subsidiaries cared for patients injured in sporting and car accidents who required long-term intensive 24/7 care—very different from our core activities.

After some lively internal debate, we appointed a senior nonexecutive director—a banker who previously chaired both our audit and performance committees—to be the integration champion. He chaired a fortnightly integration working group (IWG) with top executives from H21 and Claimar. We added an implementation group meeting, on alternate weeks, to chase progress. We also hired a temporary integration project manager.

These operational groups have continued through the fall of 2010, overseeing detailed work, such as the rollout of H21's health and safety procedures, the training of frontline care staff, and the rationalization of the local office network. The IWG also oversaw the development of a joint new business development function to pitch for new contracts; the merger of crucial back-end functions such as information technology, human resources, and finance; and the development of relations with the commissioners of care contracts.

We were able to use the values of H21—caring, individuality, empowerment, integrity, improvement, investment, and ambition—as the basis for a culture change program across the combined organization. This involved H21 "ambassadors" (senior and middle managers) visiting all the Claimar branches to explain the vision, values, activities, and future plans of the combined organization. Visible changes like new uniforms, signage, badges, and an integrated website reinforced the culture program. In parallel, professional advisors helped us decide which subsidiaries should be sold, closed, or retained. We decided to sell the high-acuity care business. We also closed Claimar's loss-making training business and a subsidiary that installed home panic alarms for old people.

> We used the integration as stimulus to look afresh at everything we do, rather than to assume that either the old H21 or the old Claimar had it right.

Now we are using the integration as stimulus to look afresh at everything we do, rather than to assume that either the old H21 or the old Claimar had it right. The board remuneration committee has agreed to a new compensation system for senior management. Board and senior management are working together to develop a new, long-term strategy for the merged organization. This is proving particularly timely as the United Kingdom's new coalition government is driving dramatic change in the delivery, funding, and design of public services.

Currently, our combined organization is the second largest provider of sheltered social housing for older people in the United Kingdom, and we are the fourth largest care provider in the country. We have more than 8,200 staff across more than 500 locations, and we now are able to serve more than 30,000 older Britons. We also have added new services to our portfolio, including an online pharmacy and 24-hour live-in care.

Our considerably expanded size inevitably puts H21 on media's and regulators' radar screens. It also raises the stakes for us in ensuring that we have the procedures in place to protect our greater number of care customers and that we can remain agile in responding to a rapidly changing public policy and commissioning environment.

The lessons I draw from the acquisition experience are the importance of hiring and properly using professional advisors—and not skimping on this. Identifying and addressing stakeholder concerns is another critical lesson. The moment we announced our formal bid, Raguvaran wrote to all our tenants explaining what we were doing and why, and how the acquisition would enable us to offer more and better services for an increasing number of older Britons. The personal letters and e-mails she received from around the country informed the second wave of our communications with tenants. We kept our regulator regularly briefed on developments, which itself required dispensation from the U.K.'s Takeover Panel.

The Claimar acquisition was a significant social innovation. It represents a further extension of the blurring of the boundaries between the for-profit and nonprofit worlds and an important extension of the role of civil society organizations. ■

Effective Partnerships

How local governments and nonprofits can work together for large-scale community change BY SAPHIRA M. BAKER

As Americans, we like entrepreneurs—both in the business world and outside of it. In the public and nonprofit sectors, we enjoy reading about the savvy leader who turns a school around or brings about safe streets. And despite how many times these often humble leaders credit their staff or their colleagues in other organizations, we expect the hero to emerge.

As a consultant to nonprofit and public agencies and a former government administrator, I have witnessed how an emphasis on institutional leadership can get in the way of accomplishing major community change initiatives—initiatives so ambitious and broad in scope that they require engagement and ownership from all sectors. I also have seen how shared leadership and management strategies across local government and nonprofit sectors can bring about significant results.

When I served as a city administrator in Richmond, Va., from 2005 to 2008, the mayor's office got behind a citywide effort to help children get ready for school. As a consultant, I have worked with regional nonprofits that seek to improve after-school opportunities and to transition emergency shelters to Rapid Re-Housing Initiatives for families who are homeless. Like many comprehensive community change initiatives, these city and nonprofit efforts engaged leaders, staff, and organizations across sectors and were considered collaborations by all involved.

Within these initiatives, there were moments when the goals and timing of local government and nonprofits aligned and our reach and effectiveness were substantial. There were other times when the energy or ownership of one partner dwindled, and one organization shouldered the lion's share of the collaborative work. This experience led me to ask: "What is it that makes collaborative community change efforts involving nonprofits and local governments sustainable over time?" Although it may be impossible to formulate a perfect blueprint for sustained engagement, there are steps that nonprofit and local government institutions can follow to form effective joint ventures, while engaging residents, businesses, foundations, and faith-based and civic groups.

WHAT KEEPS NONPROFITS AND PUBLICS APART?

It is no secret among community activists and nonprofit leaders that involving local government can sometimes be the proverbial kiss of death. Having spent time in both worlds, I know that nonprofit executives are frequently schooled not to become over-reliant on government funds, both to maintain a diverse funding mix and to enable greater autonomy, flexibility, and innovation. Stereo-types of local government leaders can range from being removed and quick to say no to embroiled in bureaucratic procedures and unproductive. City government leaders may also view nonprofits with suspicion. They may see nonprofits as continuously seeking local government funding, narrowly focused, or unable to set aside concerns about organizational survival to focus on broad regional or local community improvement goals.

ILLUSTRATION BY ADAM McCAULEY

SAPHIRA M. BAKER, founding principal of Communitas Consulting, was deputy chief administrative officer for human services for the city of Richmond, Va., from 2005 to 2008. She is a lecturer at the Frank Batten School of Leadership and Public Policy at the University of Virginia.

Yet much has changed over the last decade. Both nonprofits and local governments have seen pressures for services increase while their financial resources have not kept pace. It also has become more difficult for any one entity to focus on any one service. A 2002 Aspen Institute study found that nonprofits were being drawn to broader community improvement initiatives as a natural evolution of their work with residents.

The study noted that after-school and child care programs evolved into comprehensive neighborhood improvement initiatives, when parents became frustrated with the quality of public schools and parks and wanted more influence. Today as local governments handle multimillion-dollar deficits and nonprofits struggle to retain funding, it is even more crucial that resources are blended to maximize each dollar in a community and to tackle problems comprehensively.

The winter 2009 edition of *The Foundation Review* profiled several community change initiatives funded largely by private foundations. One of the lessons from the essays is to engage the public sector leadership early and often, and to obtain public funding commitments before receiving and spending private funding—combining public and private resources to create a package of investments in a neighborhood. This approach resembles more of a joint venture among private companies than a large-scale effort spearheaded by a single nonprofit. In short, with local efforts of this scale neither sector can do without the other to get the job done, financially or otherwise. The sectors are inextricably linked when the agenda is broad community change.

Yet structuring and sustaining public-nonprofit joint ventures is far from straightforward. By binding together the fates (and practices) of nonprofit and local government organizations more deliberately, communities have a better chance of engaging other private, foundation, and civic partners, sustaining improvements once initial foundation seed funding has been spent (or public dollars depleted), and leveraging their considerable resources more effectively.

STEPS TOWARD SHARED LEADERSHIP

To get to a place where nonprofits and local governments are working in tandem involves more openness and trust between the sectors, sharing credit and ownership for community improvement initiatives from the onset, and being jointly accountable for the results. It will require a form of entrepreneurship that is team-based and has more than one catalyst, champion, or identified lead. Ironically, it also will require that nonprofits are recognized for their leadership capacity and impact—that their clout and credibility make them a must-have at the planning table. Local government leaders must also be seen as players; they must demonstrate receptivity and inclusiveness and be perceived to have the capacity, will, and resources to work collaboratively on behalf of residents.

This approach also creates a path to new ways of funding collaborative community efforts. Funders would do well to put less emphasis on supporting a lead organization and more emphasis on supporting a joint venture—or set of results—whereby several organizations work with residents to bring about needed change. In my observation and advising of nonprofit and local government collaborations, I've identified the following five steps:

1. ***Develop relationships across sectors long before you need a partner.*** Just as nonprofits cultivate donors, nonprofits need to cultivate their relationships with public sector administrators, staff persons, and leaders across administrations early and often. Nonprofit staff and executives can serve on committees, share data, network with local and regional leaders, get on public boards and commissions, and attend joint conferences. Cultivate the trust that is needed to prepare for tackling a common vision together and the credibility for getting things done.

2. ***Become a source of ideas for effective community improvements.*** Local governments need to see the community-based nonprofits as the assets they are—from their expertise about residents' needs to their networks of community and board members. This is not done necessarily by telling local government leaders about the nonprofit sector's economic impact (an approach frequently used), but by becoming known for reliable information and resourceful problem solving for the community at large. For local governments, these relationships with nonprofit staff and board members help public servants keep their ears to the ground, expand the reach of tax dollars, engage more diverse constituencies, and build the trust needed to manage and sustain complex joint ventures.

3. ***Seize a shared sense of opportunity.*** The timing for launching community-based initiatives has to be right for residents and the organizations involved. It is critical that the convening organizations share a sense of opportunity for action and an urgency to come together to bring about change. Sometimes a federal, state, or local grant opportunity can serve as that catalyst. Other times, a national movement or set of best practices can generate momentum. More often, it is the appalling state of a community or the expressed needs of residents that serve as a catalyst. Just as a joint venture is often formed among individuals seeking to create something new, public and nonprofit leaders must commit to creating value together and responding with a unified voice to stated needs and opportunities and then work in tandem to design and support an effective approach.

4. ***Have a financial and reputational stake in the initiative's success.*** Money and accountability are often the glue that keeps nonprofits and local governments working together. Having a shared leadership model means having mutually owned investments and merging funding sources. When all parties are responsible for accounting for money and results, their fates are bound together and commitment tends to stay on firm ground. When only one organization captures the results or reports on financials, that organization becomes the default leader in sustaining and representing the collaborative.

5. ***Define roles, responsibilities, and requirements.*** It is no accident that some of the most effective collaborations between local governments and nonprofits are in the area of emergency management. In addition to the built-in sense of urgency, well-organized emergency efforts have clear roles and responsibilities for all levels of staff. Most localities have developed emergency management agreements and have practiced drills for months, if not years. The players know, trust, and rely on each other. Clear joint agreements are not only good business for complex community improvement efforts, they also provide a compass when resources are short or a crisis hits.

Sharing responsibility, accountability, and leadership for addressing major collaborative community change initiatives is especially important as a counterweight to our tendency to extol the virtues of individual social entrepreneurs. By sharing leadership across sectors, social entrepreneurs will stand a better chance of transforming cities and towns long after the venture capital and the grant monies have run out. ■

The Power of Many

The Tahirih Justice Center multiplies its impact by creatively using pro bono attorneys BY LAYLI MILLER-MURO

We were in the courtroom and I caught my client's eyes. They filled with tears, and then she looked forward toward the judge and jury. She was a very small Ukrainian woman and very scared. She had been severely abused by an American man whom she met through a so-called mail-order bride agency with a "satisfaction guaranteed" policy. This meant that in an effort to "satisfy" him, the agency paired him with several foreign women in succession, even when they were well aware of his predatory and violent disposition.

We were suing them. It was the first lawsuit in the United States against an international marriage broker and our show of legal strength was impressive. The Tahirih Justice Center, which I head, co-counseled with the blue-chip law firm Arnold & Porter, which built a formidable legal team and paid out of pocket for expert witnesses, private investigators, translators, and travel expenses. The 2004 trial lasted two weeks, the preparation for trial lasted two years, and the total cost of the litigation and other advocacy efforts on this issue was well over $1 million. The result was a high-profile legal victory and a clear message to the international marriage broker industry that it will be held accountable for facilitating abusive marriages. In addition, critical attention was drawn to the issue, which resulted in the passage of a new law to regulate the industry.

I asked my client why she was crying in the courtroom, and if there was anything I could do to help her. She smiled and said that hers were tears of joy from having so many advocates, after feeling powerless for so long. More than the legal victory we won, her feeling of empowerment was an important measure of success. Her husband was a wealthy man and now she, too, had resources—the experience gave her strength, in addition to justice.

Similar resources are ready and waiting throughout the United States to help those in need. Well-meaning attorneys and publicly minded law firms are eager to take on pro bono cases and help others access justice. Regretfully, too few nonprofit organizations maximize their engagement.

Tahirih is a growing nonprofit organization that provides local holistic legal services and national public policy advocacy on behalf of women and girls fleeing violence. Tahirih's clients have fled such human rights abuses as forced marriage, human trafficking, female genital mutilation, domestic violence, rape, and honor crimes. After 13 years of serving the Washington, D.C., area, Tahirih has refined an innovative model for providing high-quality services that is efficient, effective, and replicable. We are in the process of replicating our services model, and within the last year we have opened offices in Houston and Baltimore.

LAYLI MILLER-MURO is the founder of the Tahirih Justice Center and has been its executive director for nine years. Before joining Tahirih's staff, she was a litigation associate at Arnold & Porter and an attorney-advisor at the U.S. Department of Justice's Board of Immigration Appeals.

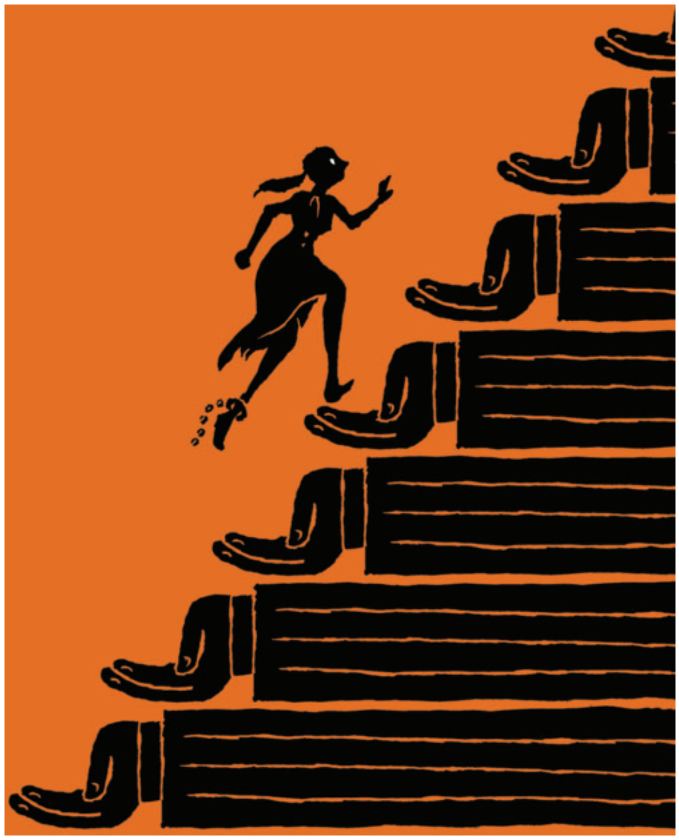


ILLUSTRATION BY ADAM McCAULEY

Our partnerships with almost 800 pro bono attorneys from 130 law firms, who donate their time and expertise to protect our clients, quintuple the impact we are able to have on our clients and turn every dollar donated into five. In 2009, we leveraged more than $7.7 million in donated legal and other services on behalf of our clients, while our budget remained under $2 million. Our model for service delivery effectively protects the lives of the women and girls we serve—and despite the challenging and complex cases we litigate, we maintain a 99 percent success rate. Tahirih has received several awards for its pro bono program and management practices, including the 2007 Washington Post Award for Excellence in Nonprofit Management. But most important, our model has allowed us to maximize the number of women and girls we serve, resulting in more than 11,000 women and children receiving help.

PRO BONO RESOURCES

Although there are certainly many organizations that leverage pro bono attorneys, Tahirih is distinguished among organizations providing direct in-house legal representation in the way it leverages donated services. Members of Tahirih's Pro Bono Attorney Network co-counsel with Tahirih attorneys on 75 percent of all incoming cases. In contrast, an in-depth survey that Tahirih conducted in 2006 of other immigration legal services organizations in the Washington, D.C., area revealed that most use pro bono attorneys in only up to 10 percent of their caseloads.

Underutilization of pro bono resources is common among legal services organizations, often because of the additional resources required to ramp up an effective volunteer management program. The unfortunate reality, however, is that the failure to develop an effective pro bono program ultimately diminishes efficiency. Tahirih found that, after reaching an economy of scale, pro bono partnerships led to a new dimension of performance, allowing Tahirih to serve more women and girls while at the same time progressively reducing the cost of representation. Before Tahirih's pro bono network was formalized, an in-house attorney represented an average of 40 cases, involving 85 unique legal matters. By contrast, through pro bono partnerships today, an in-house attorney represents an average of 50 to 55 cases, involving more than 105 unique matters. The cost per matter litigated has also decreased.

Our partnerships with almost 800 pro bono attorneys from 130 law firms quintuple the impact we have on our clients and turn every dollar donated into five.

Some important qualities of a successful pro bono legal program include:

Adequate training, mentorship, and support: Many corporate attorneys are intimidated by taking on a case involving an area of the law and a client base with which they are unfamiliar. To support attorneys in taking on Tahirih clients' cases, we provide an assigned in-house attorney mentor who is an expert in the relevant area of law and works closely with the pro bono attorney in the course of her legal representation; training manuals; training seminars on relevant law, cultural sensitivity, post-traumatic stress disorder, and boundary issues; an e-forum where attorneys can access model briefs and applications, country condition reports, and other supporting documents; and a monthly e-newsletter.

Customer service orientation: Pro bono attorneys contribute a valuable resource and are most likely to continue their involvement with timely, professional, and responsive interactions.

Manage ongoing nonlegal issues of clients: Tahirih has social services staff who manage the nonlegal needs of our clients, which include emergency housing, English classes, child care, job skills training, psychological counseling, and medical care. This is often a welcome relief for our pro bono as well as in-house attorneys, who recognize that public benefits and social services are complex and difficult to navigate.

Comprehensive prescreening of cases: Once a law firm has accepted a case from a referring nonprofit organization, its attorneys want to proceed with confidence that the client has been screened for credibility and that their case is winnable. This means that a qualified attorney will need to be involved in the screening process, to make the legal judgments necessary for effective referral.

Active co-counsel agreements: Ethics rules governing client-attorney privilege do not generally permit attorneys to discuss the facts of a case or its ongoing status without a formal co-counsel agreement that "protects the privilege." In addition, co-counsel agreements help to outline expected roles and responsibilities for those working on the case.

Provide meaningful opportunities for feedback and improvement: Even the best-designed pro bono program will need continual improvement. To this end, Tahirih receives feedback from pro bono attorneys through satisfaction surveys. In addition, feedback from pro bono attorneys working with in-house staff attorneys is often solicited in the course of a staff attorney's annual evaluation process. Finally, Tahirih's legal services team annually engages in a process-mapping exercise and a strategic planning process designed to assess and improve metrics, goals, and efficiencies.

Recognition of commitment: Each year a pro bono firm and individual attorney are recognized at our annual benefit. We also send thank-you notes to our pro bono attorneys at the successful completion of cases.

FEEDING THE SOUL

Despite popular belief, many attorneys are motivated by altruistic notions of justice. Although some law firms engage in pro bono representation as a way to train young attorneys, retain staff, and enhance their reputations, many more will do it simply to feed their souls. A 2005 study conducted by the American Bar Association found that the prime motivator for 70 percent of attorneys doing pro bono work is the "combined sense of professional duty and personal satisfaction derived from the work."

Justin Stein, one of our pro bono attorneys who formerly worked at Latham & Watkins, reflected: "As junior associates in a large law firm, working on Farida's case gave us all invaluable trial court experience. ... When the judge finally granted Farida asylum, her face blossomed as the anxiety faded in favor of sheer joy. At that moment, I realized that ... I had truly helped another human being, and that is a feeling worth repeating."

Ross Goldstein, another Tahirih pro bono attorney who previously worked at Arnold & Porter, remembered, "When I walked up to [my client], she looked at me with real fear and trepidation in her eyes, and I told her, 'You win.' It took a second for it to register, but then she leapt to her feet, hugged me, and wept for several minutes. I looked down and saw her 9-year-old daughter, who had been facing the prospect of having to testify on her mother's behalf, latch on to Sahar's legs and smile—a genuine smile. ... There is simply no greater feeling as a human being, let alone as an attorney."

The nonprofit sector has a valuable opportunity to leverage the willingness of corporate attorneys to engage in pro bono work. We simply have to harness it ■

Investing at the Bottom of the Ladder

Companies that invest in their lowest-level employees are more productive and more profitable BY JODY HEYMANN

WHEN WE MET LUIS MARQUEZ while conducting a multiyear study on working conditions around the world, he was a single parent raising his two children, aged 5 and 8, and working as a security guard in Massachusetts. His employer offered no paid leave, flexibility, or time off—a typical situation for lower-level workers in the United States, which has next to no legislated work protections. When his children got sick and required care, Marquez had no choice but to miss work without pay. Even before this wage loss, his earnings were barely sufficient to cover the most basic necessities of food, rent, and clothing.

Visiting Norway later in the study, we met and interviewed Lars Nilsen, a plant worker at a roofing company. His experience could not have been more different. His wages were more than enough to meet his family's needs, because Norway guarantees a higher floor of wages and benefits than the United States. Nilsen's 3-year-old son inevitably got sick from time to time. Yet because paid leave is nationally mandated in Norway, Nilsen had no trouble taking time off work to care for his son without losing pay.

For 15 years, my research team at Harvard and McGill universities has been examining what can be done to improve the working conditions faced by men and women around the world. We have looked at which countries are ahead of global norms in ensuring decent conditions for working adults and their families, which are falling behind these norms, and what the consequences are for national economies and citizens.

In countries that don't legislate decent working conditions, a question nagged at us: How much could individual companies do? It was commonly argued that if a firm were to improve labor conditions on its own, it would not be able to compete with similar businesses. When a country guarantees paid leave, all firms must follow the same laws, but when a company unilaterally improves working conditions, its employee compensation expenses may be higher than those of its closest competitor down the street.

At first glance, we found what many investigators had observed about the private sector: Companies compete for top professionals by providing exceptional compensation. The elite receive stock options, concierge services, and nearly every benefit imaginable (except, importantly, the ability to take leave without penalties). But there were not many stories about companies

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ILLUSTRATION BY ADAM McCAULEY

offering good benefits to employees at the bottom of the corporate ladder. Economists and pundits alike argue that the reason is clear: Top talent is scarce, so companies must compete for highly qualified professionals; low-level workers are unskilled and readily replaceable, so there is no financial return to investing in them.

Are the poor working conditions common at the bottom of the corporate ladder truly a result of irresolvable financial obstacles, or the result of habit and historical practice? To find out, we went looking across North America and around the world for companies trying to improve compensation and benefits for their lowest-level employees. We wanted to see if they were able to support improved conditions while succeeding financially.

When we started our study in 2004, the most we hoped to find were companies that provided good working conditions and maintained a strong bottom line. We hoped that good working conditions at the bottom did not preclude profitability, but we bought into the widely held belief that they were unlikely to improve it.

The firms we found taught us otherwise. We went from hoping it was possible for companies to improve their working conditions while being profitable, to being sure that this was feasible, to realizing that the companies we studied had in fact increased their profitability by investing in their employees at the bottom of the ladder. Once we saw how they were doing it, it all made sense.

Some of the approaches that linked better working conditions at the bottom with increased productivity were straightforward. As I walked through Jenkins Brick in Montgomery, Ala., with CEO Mike Jenkins, I saw three men moving newly made bricks off a conveyor belt with stunning speed. Later, speaking alone with the line workers, the reason for their efficiency was clear. They were proud of their work, and as a result of the bonuses they received based on the number of bricks moved, they made more than $25 an hour.

In other cases, employee incentives were not directly linked to output, but the overall financial benefits of increasing compensation were every bit as palpable. Costco deserves its excellent reputation for strong service, low prices, and good products. As we began our study, Costco's average wage was 42 percent higher than that of its most direct competitor, Wal-Mart's Sam's Club. Yet, according to *BusinessWeek*, the company earned *more* profit per employee, not less, than Sam's Club. Annual profits per employee were 24 percent higher at Costco than at Sam's Club, a difference of more than $2,600 per employee. Because employees receive higher compensation, Costco is able to attract and retain better employees who become more engaged in their work. As a result, Costco's service quality is better, turnover of goods on the floor is faster, sales per square foot are higher, and the company is able to attract customers willing to buy luxury goods as well as essentials and to pay membership fees—a substantial source of the company's earnings.

Many firms learned lessons from their line workers on how to produce more effectively. These workers were motivated because they shared in the increased profits.

Many firms made money because they learned lessons from their line workers on how to produce more effectively. These workers were more motivated to problem solve with company leadership because they shared in the increased profits.

The Great Little Box Company in Vancouver, B.C., created bonuses for cost-saving ideas, enabling workers to receive a financial reward based on how much their idea saved the firm. These rewards ranged from C$50 to C$2,500. Moreover, the company shared 15 percent of monthly profits with workers at every level. These initiatives were combined with monthly meetings in which executives shared detailed information with all 213 employees about all aspects of the firm's performance—from finances and production to sales.

The result was that workers at every level were aware of the firm's performance and were motivated to find ways to improve productivity and reduce costs. For example, suggestions from factory workers had resulted in adaptations to machinery so that one machine could produce different types of items, which increased flexibility in production and saved the company from purchasing new equipment. From 2005 to 2010, Great Little Box's sales grew 36 percent while other packaging manufacturers struggled.

The leadership at the firms we studied understood the real cost of underinvestment in employees. With 25 percent unemployment in South Africa, SA Metal, a recycler, would have no trouble replacing its employees. Yet as I watched Clifford Barnett, the owner, sift through piles of scrap with his employees, separating the various types of metal, it became clear how much skill is involved in doing the job accurately.

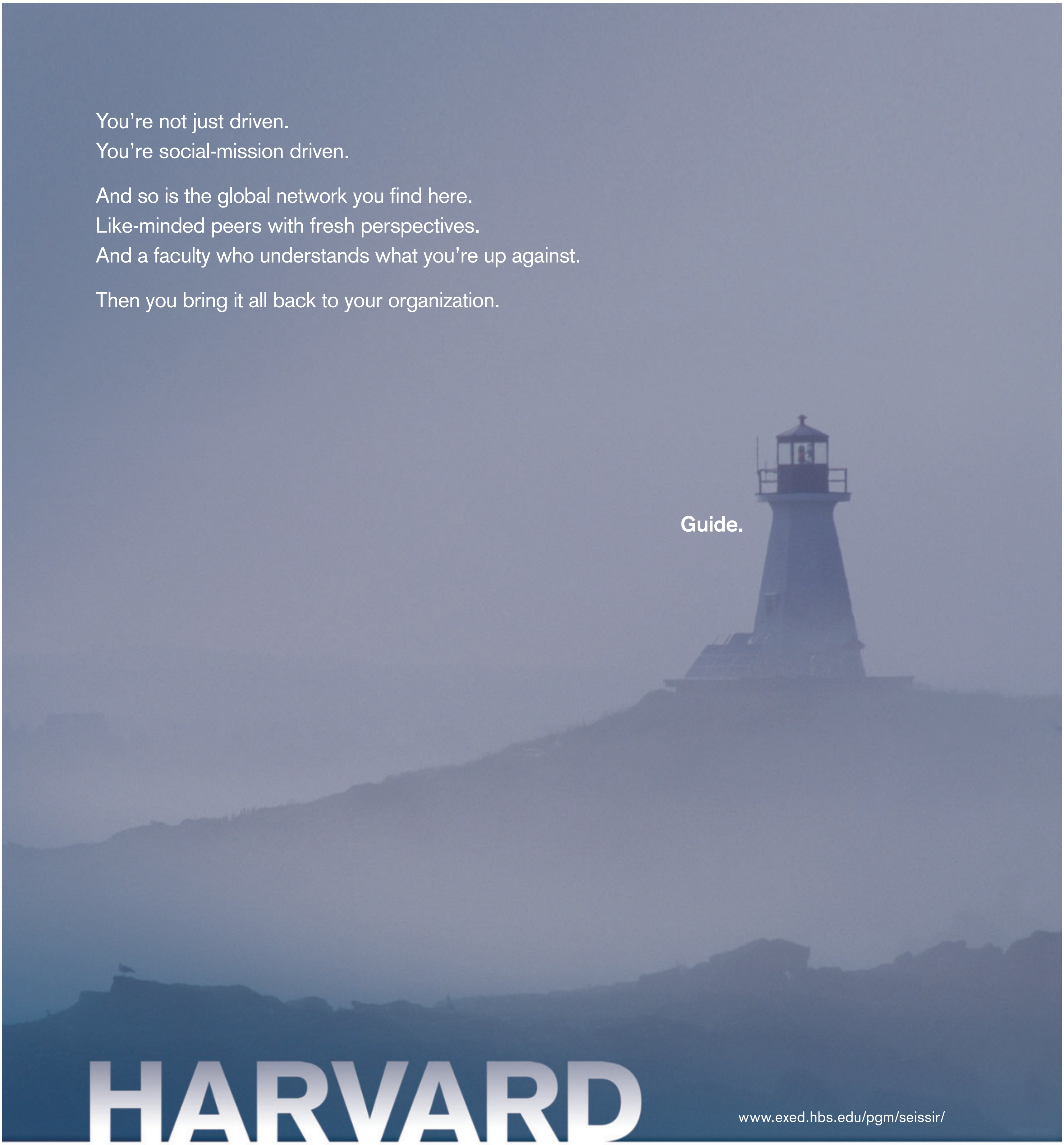
SA Metal is a rarity in South Africa: It provides an on-site clinic as well as free HIV/AIDS treatment for employees. For Barnett, investing in employee health is a no-brainer. HIV/AIDS treatment costs the firm less than 25 rand a day (approximately $3.50), whereas the firm could incur thousands of dollars in late penalties if shipments were delayed because employees were absent. Replacing sick scrap metal workers would have been costly and inefficient, because the job requires expertise that is gained over time.

Even for truck drivers, for whom on-the-job experience is less critical, investing in health care made financial sense: It cost 750 to 1,000 rand a day (approximately $105 to $140) when a truck driver was absent for health-related reasons and a truck was consequently out of commission. And replacing a truck driver with a new hire would not guarantee that the new employee would avoid illness.

As we continued our study, we found privately owned and publicly traded companies—across wide-ranging sectors and of every size—that became more profitable as they improved the conditions faced by their lowest-level employees (though the constraints placed by shortsighted Wall Street analysts made this more difficult for publicly traded firms). These companies succeeded in answering questions that many ask: How can people at the top of the corporate ladder both make money and make lives better? How can those at the bottom receive decent wages and conditions at a company that will succeed?

The way that the companies in our global study were able to address these questions is by adopting some or all of the following five approaches: 1) provide incentives so that everyone in the firm benefits when the firm succeeds; 2) engage line workers and act on their best recommendations; 3) support the health of all employees in the firm—from the bottom to the top; 4) provide training and career advancement for employees at every level, including at the bottom of the ladder; and 5) recognize that the communities in which companies are located also need to benefit from the company.

Barnett wrote to me recently about the further expansion of SA Metal's medical facilities. He concluded, "No one has ever had sleepless nights worrying about having given too much." He and the CEOs of the other companies we studied are giving more to their lowest-level employees than their competitors, and they are profiting because they do. ■



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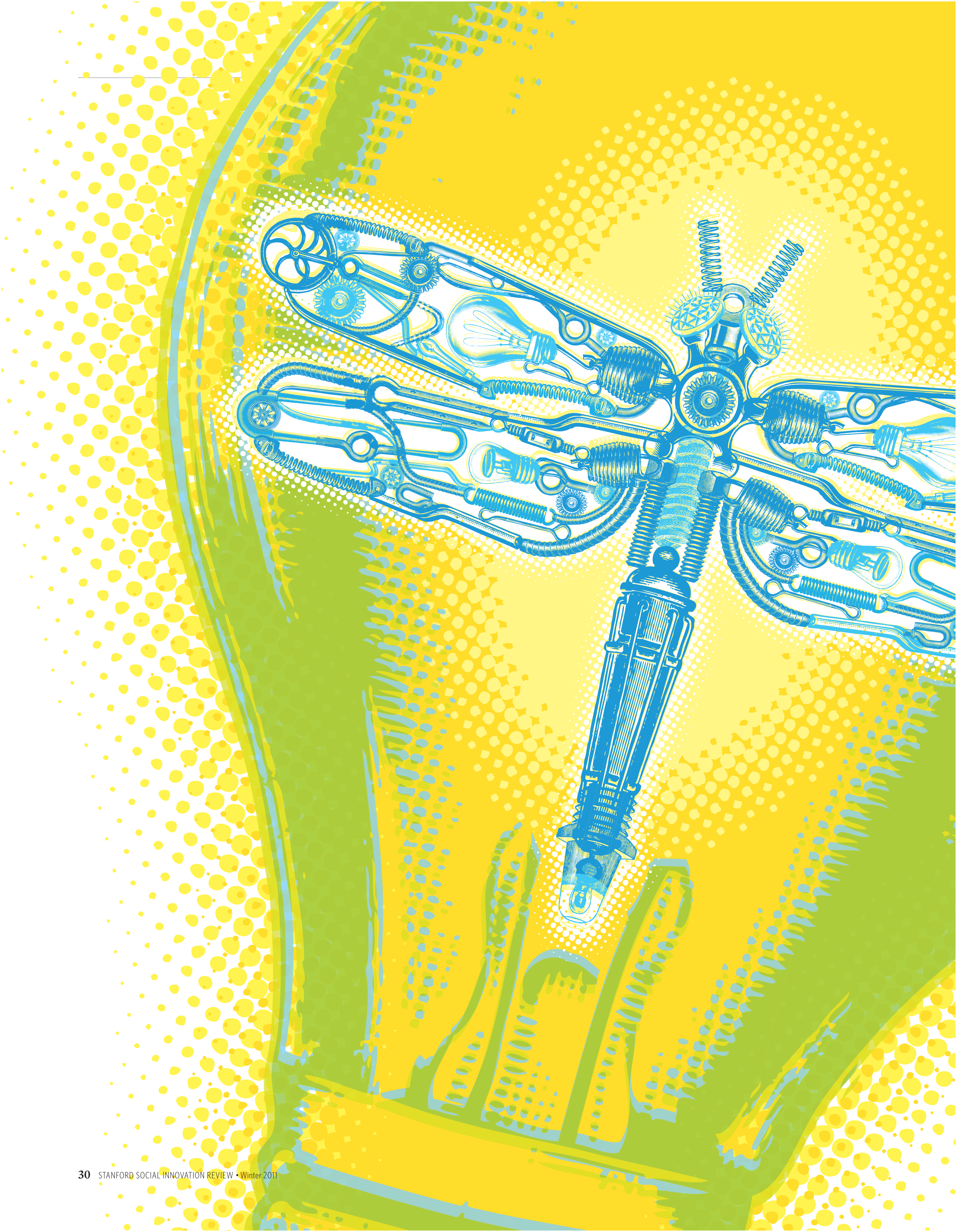

People are clamoring for ways to use social media for social change. Two veterans of consumer psychology, marketing, and entrepreneurship say there is a replicable framework to achieve this ambitious goal.

The Dragonfly Effect

By Jennifer Aaker & Andy Smith

Illustration by Carl Wiens

Sameer Bhatia was always good with numbers.

When he was in his 20s, the Stanford University grad came up with an innovative algorithm that formed the foundation of MonkeyBin, his popular consumer barter marketplace. By 31, the Silicon Valley entrepreneur was newly married and running a mobile gaming company.

Then, on a routine business trip to Mumbai, Bhatia started to feel under the weather. He lost his appetite and had trouble breathing. Bhatia chalked it up to the 100-degree weather and unbearable humidity. After a visit to a doctor at one of Mumbai's leading hospitals, however, blood tests showed that Bhatia's white blood cell count was wildly out of whack, and there were "blasts" in his cells. His doctor instructed him to return home to seek medical treatment. Upon entering the United States, Bhatia was admitted to the Robert Wood Johnson University Hospital in New Brunswick, N.J. He was diagnosed with Acute Myelogenous Leukemia (AML), a cancer that starts in the bone marrow and is characterized by the rapid growth of abnormal white blood cells that interfere with the production of normal blood cells. AML is the most common acute leukemia affecting adults.

Bhatia was facing the toughest challenge of his life. Half of all new cases of leukemia result in death. But Bhatia was determined to beat the odds and get better. After a few months of chemotherapy and other pharmacological treatment, doctors told Bhatia that his only remaining treatment option would be a bone marrow transplant—a procedure that requires finding a donor with marrow having the same human leukocyte antigens as the recipient.

Because tissue types are inherited, about 25 percent to 30 percent of patients are able to find a perfect match with a sibling. The remaining 70 percent must turn to the National Marrow Donor Program (NMDP), a national database with more than 8 million registered individuals.

Patients requiring a transplant are most likely to match a donor of their own ethnicity. That wasn't a promising scenario for Bhatia. He had a rare gene from his father's side of the family that proved extremely difficult to match. After typing his brother, his parents, and all of his cousins, the closest they got was a 2/8 match. Even more worrisome was that of the millions of registered donors in the NMDP, only 1.4 percent are South Asian. As a result, the odds of Bhatia finding a perfect match were 1 in 20,000. Worse, there were few other places to look. One would think that a match could be found easily in India, where Bhatia's family was originally from. But India does not have a national bone marrow registry. Not a single match surfaced anywhere.

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Andy Smith is a principal of Vonavona Ventures, where he advises technical and social ventures in marketing, consumer strategy, and operations. He is a guest lecturer at the Stanford Graduate School of Business and a contributor to *Good Magazine.*

Bhatia's quest to find a donor match is a tale of the revolutionary power of social technology. Most of us are inundated daily with e-mails, videos, blog posts, and online invitations to participate in campaigns—pleas we generally ignore. Yet some social media-driven campaigns are so compelling that they beat incredible odds or cause millions to act. We call this phenomenon of using social technology for impact the "Dragonfly Effect." It is a method that coalesces the focal points of our careers—research and insights on consumer psychology and happiness with practical approaches for infectious action. The Dragonfly Effect is also an outgrowth of a class taught at the Stanford Graduate School of Business, which brought together students engaged in social media and an ecosystem of collaborators including Silicon Valley entrepreneurs, investors, and faculty and students from Stanford's Hasso Plattner Institute of Design. Not only did the class demonstrate that people are clamoring for ways to use social media for social good, but it also confirmed our belief that there is a replicable framework to achieve this goal.

Why the dragonfly? The dragonfly is the only insect able to propel itself in any direction when its four wings are working in concert. It symbolizes the importance of integrated effect and is akin to the ripple effect—a term used in economics, sociology, and psychology to indicate how small acts can create big change. To us, the Dragonfly Effect shows how synchronized ideas can be used to create rapid transformations through social media.

The method relies on four essential skills, or wings: 1) *focus*: identify a single concrete and measurable goal; 2) *grab attention*: cut through the noise of social media with something authentic and memorable; 3) *engage*: create a personal connection, accessing higher emotions, compassion, empathy, and happiness; and 4) *take action*: enable and empower others to take action. Throughout this process, we use the tools of design thinking, a creative approach to experimenting with and building up ideas.[1] Design thinking meshes with the Dragonfly method because it quickly takes people through a series of steps, starting with empathy and moving to hypothesis creation and then to rapid prototyping and testing.

Wing 1: Focus Your Goal

Bhatia's circle of friends, a group of young entrepreneurs and professionals, reacted to the news of his diagnosis with an unconventional approach. "We realized our choices were between doing something, anything, and doing something seismic," says Robert Chatwani, Bhatia's best friend and business partner. The friends decided they would attack Bhatia's illness as they would any business challenge. It came down to running the numbers. If they campaigned for Bhatia and held bone marrow drives throughout the country, they could increase the number of South Asians in the registry. The only challenge was that to play the odds they had to register 20,000 South

Asians. They figured that this was the only way to find the match that would save his life. The only problem: Doctors told them that they had a matter of weeks to get the job done.

Bhatia's friends and family (Team Sameer) needed to work fast and they needed to scale up. Their strategy: tap the power of the Internet and focus on the tight-knit South Asian community to get 20,000 South Asians into the bone marrow registry, immediately. One of Chatwani's first steps was to write an e-mail with a clear call to action. In the message, he did not ask for help; he simply told people what was needed of them.

> Dear Friends,
>
> Please take a moment to read this email. My friend, Sameer Bhatia, has been diagnosed with acute myelogenous leukemia (AML), which is a cancer of the blood. He is in urgent need of a bone marrow transplant. Sameer is a Silicon Valley entrepreneur, is 31 years old, and got married last year. His diagnosis was confirmed just weeks ago and caught us all by surprise given that he has always been in peak condition.
>
> Sameer, a Stanford alum, is known to many for his efforts in launching the American India Foundation, Project Dosti, TiE (Chicago), a microfinance fund, and other causes focused on helping others. Now he urgently needs our help in giving him a new lease on life. *He is undergoing chemotherapy at present but needs a bone marrow transplant to sustain beyond the next few months.*
>
> Fortunately, you can help. Let's use the power of the Net to save a life.[2]

Robert then instructed readers to do three things. First, he urged them to get registered through a simple cheek swab test. He gave a link to locations where this could be done. Second, he told readers to spread the word. Third, he instructed people to learn more by visiting the website set up to help Bhatia. On it were more details on how to organize one's own drive and information about AML, plus frequently asked questions on registering. Robert sent the e-mail to Bhatia's closest friends and business colleagues—about 400 to 500 people, including fellow entrepreneurs, investors, South Asian relatives, and college friends. And that set of friends forwarded the e-mail to their personal networks, and so on. Within 48 hours, the e-mail had reached 35,000 people.

Bhatia's friends soon learned that yet another man in their ecosystem had recently been diagnosed with the same disease—Vinay Chakravarthy, a Boston-based 28-year-old physician. Bhatia's friends immediately partnered with Team Vinay, an inspiring group of people who shared the same goal as Team Sameer. Together, they harnessed Web 2.0 social media platforms and services like Facebook, Google Apps, and YouTube to collectively campaign and hold bone marrow drives all over the country.

Their goal was clear and their campaign was under way. Within weeks, in addition to the national drives, Team Sameer and Team Vinay coordinated bone marrow drives at more than 15 San Francisco Bay Area companies, including Cisco, Google, Intel, Oracle, eBay, PayPal, Yahoo, and Genentech. Volunteers on the East Coast started using the documents and collateral that the teams developed. After 11 weeks of focused efforts that included 480 bone marrow drives, 24,611 new people were registered. The teams recruited 3,500 volunteers, achieved more than 1 million media impressions, and garnered 150,000 visitors to the websites. "This is the biggest campaign we've ever been involved with," says Asia Blume of the Asian American Donor Program. "Other patients might register maybe a thousand donors. We never imagined that this campaign would blow up to this extent."

Perhaps the most critical result associated with the campaign, however, was the discovery of two matches: one for Bhatia, one for Chakravarthy. In August 2007—only a few months after the kickoff of the campaign—Chakravarthy found a close match. Two weeks later, Bhatia was notified of the discovery of a perfect 10 of 10 match. Judging from the timing of when the donors entered the database, both Chakravarthy and Bhatia's matches were a direct result of the campaigns.

One of the main reasons Team Sameer succeeded was its ability to focus. They didn't get lost in the size of their challenge. They didn't try to sign up every single South Asian in the San Francisco Bay Area. Instead they focused on those who were well connected to others and who could relate to Bhatia and his story. Those types of people were easy to identify, and the scope of the challenge quickly came into focus. Perhaps most incredible was that Team Sameer and Team Vinay did not stop with just Bhatia and Chakravarthy. Ultimately, Team Sameer and Team Vinay educated a population about the value of becoming registered donors while changing the way registries work. Above all, they came up with a blueprint for saving lives—one that could be replicated.

Wing 2: Grab Attention

Not every social media campaign can grab attention through life-or-death stories. Most need to impress through originality or take people by surprise. Consider the Coca-Cola Co. In 2009 the company was looking for a new way to connect to young consumers. Spending on traditional media or Super Bowl ads would be predictable. Instead, they veered far from what could have been anticipated and delivered the "Happiness Machine." Just before final exams, Coke installed a vending machine in a cafeteria at St. John's University in Queens, N.Y. Instead of dispensing normal sodas, however, the machine dispensed surprises. When a student paid for one Coke, she got many Cokes … and then got other treats as well: flowers, a pizza, balloon animals, and even a 10-foot sandwich.

The students in the cafeteria were delighted by the surprises, which brought out the best in them. They shared the treats with fellow students. Coke posted a video on YouTube and advertised it with a single tweet: "Would you like a Coca-Cola Happiness Machine? Share the happiness … share the video." [3] Within two weeks, the video had been watched 2 million times. Although traditional Coke ads, such as those placed on *American Idol*, would gain greater reach, Coke's initial data suggest that the Happiness Machine has had a more meaningful impact on consumers. Coke spent less than $50,000 on the video and proved the power of surprise as a tool to establish a deep emotional connection.

Or consider Nike, which in early 2010 partnered with social marketer (RED) to launch the (RED) laces campaign on World AIDS Day. Nike created eye-catching (RED) shoelaces, donating 100 percent of the sale proceeds to fight AIDS. Working with Twitter, they put an item on the Twitter homepage promoting the movement and turned the text of all tweets red that included the hashtag #red or #laceupsavelives.[4] To ignite the Twitter community, they enlisted celebrities such as Serena Williams, John Legend, Ashton Kutcher, and Chris Rock to send the following tweet (or their own variation): "Today is World AIDS Day. Together we can fight AIDS thru sports, www.nikefootball.com/red #red #laceupsavelives." Nike essentially staged a virtual flashmob with the help of these influencers who were connected to millions of people. Within one day, they reached more than 10 million people with their message, turned more than a half million tweets red through the use of the promotion's hashtags, and made World AIDS Day a top five global trending topic on Twitter, driving sales of the (RED) laces and ensuring further reach well beyond the followers of a particular set of influencers.

When working to grab attention in a social media campaign, we suggest four design principles: 1) *personal*: create with a personal hook in mind; 2) *unexpected*: people like consuming and then sharing new information—draw them in by piquing their curiosity; 3) *visual*: show, don't tell—photos and videos speak millions of words; and 4) *visceral*: design the campaign so it triggers the senses through sight, sound, hearing, or taste.

Wing 3: Engage

If Wing 2 of the Dragonfly Effect is about getting people to notice your cause, Wing 3, Engage, is about what happens next—compelling people to care deeply. Engage is arguably the most challenging of the four wings, because engaging others is more of an art than a science. Engagement has little to do with logic or reason. You might have brilliant arguments to explain why people should get involved, but if you can't engage them emotionally, they won't be swayed.

Barack Obama's 2008 run for the White House is perhaps the broadest campaign to successfully use social media for social change. Obama's team effectively used new social media tools—and according to some experts, this bold move secured him the presidency. Analysts at Edelman Research say that Obama won by "converting everyday people into engaged and empowered volunteers, donors, and advocates through social networks, e-mail advocacy, text messaging, and online video."[5]

Although Obama's grassroots effort was savvy at using a wide variety of existing social media and technology tools, its central channel was My.BarackObama.com (nicknamed MyBO). In many ways this easy-to-use networking website was like a more focused version of Facebook. It allowed Obama supporters to create a profile, build groups, connect, and chat with other registered users, find or plan offline events, and raise funds. MyBO also housed such user-generated content as videos, speeches, photos, and how-to guides that allowed people to create their own content—similar to a digital toolbox. The mission, design, and execution of the site echoed the single goal of the grassroots effort: to provide a variety of ways for people to connect and become involved.

The Obama team, which created the most robust set of online tools ever used in a political campaign, did so in less than 10 days, timing the site to launch around Obama's presidential campaign announcement. Keeping focused on one clear mission ("involvement through empowerment") helped them not only to execute fast but also to execute right. In its core functionality, MyBO was the same on launch day as it was on Election Day.

It was no coincidence that MyBO shared similarities with Facebook; the Obama campaign had familiarized itself with Facebook early on, first using it before the midterm elections. At that time, Facebook had just started to allow political candidates to build profile pages, and even though Obama wasn't a midterm candidate, he still wanted to harness online momentum. The campaign also hired Facebook co-founder Chris Hughes to help it develop and execute its social media strategy.

Hughes's revolutionary contribution to MyBO was using social media not just to capture people's attention but also to enable them to become activists (without a single field staffer telling them how). These activists became a team—initially gathering online and then coordinating offline events to evangelize their cause. MyBO integrated behavioral truths (involvement leads to commitment; opportunity leads to empowerment) and social media tools to inspire people to participate in ways that they found meaningful and rewarding. My.BarackObama.com was not merely a website; it was a movement that made politics accessible through social media that people were

THE DRAGONFLY EFFECT MODEL

	What is it?	Ultimate goal	How do you do it?	Reminder
WING ONE: Think Focused	Concentrate on a single outcome rather than "thinking big."	To concentrate all of your resources and attention on achieving a single outcome.	■ Set one goal. ■ Break it down into smaller, easily achievable sub-goals. ■ Establish metrics to measure success. ■ Create an action plan. ■ Be specific and concrete. ■ Be true to yourself.	One goal, one person.
WING TWO: Grab Attention	Get noticed by your target audience.	To get people to pay attention to you and lay the foundation for engaging them.	■ Be original. ■ Keep it simple. ■ Make it grounded. ■ Use visual imagery.	What is your headline?
WING THREE: Engage	Get your target audience emotionally involved in your cause.	To "tee up" people to take action.	■ Understand what engages people. ■ Tell a story. ■ Mix media. ■ Make it personal.	What is your story?
WING FOUR: Take Action	Spur your audience to actually act on behalf of your cause.	To have your target audience volunteer time, money, or both to your cause.	■ Make it easy. ■ Make it fun. ■ Promote idiosyncratic fits between contributors and requests for contributions. ■ Establish rapport with the target audience. ■ Provide immediate feedback, reflecting individuals' contributions to your cause.	What can someone do?

already using every day. It changed the face of political campaigns forever. But, more important, it made getting involved as easy as opening up an Internet browser and creating an online profile.

Wing 4: Take Action

In many ways, Alex Scott was a regular kid. Her favorite food was French fries, her favorite color blue. She hoped to be a fashion designer one day. But in other ways, Scott was different. Just before her first birthday, she was diagnosed with neuroblastoma, an aggressive form of pediatric cancer. A tumor was removed from her back, and doctors told her parents, Liz and Jay Scott, that if she beat the cancer she would likely not walk again. Two weeks later Alex Scott moved her leg—one of the many early clues about her determination and capabilities. When Scott was 4, after receiving a stem cell transplant, she came up with a plan that would change how she and her family coped with cancer from then on. "When I get out of the hospital I want to have a lemonade stand," she said. Scott wanted to use the money she made to fight cancer and help other children.

Her parents admit now that they laughed at Scott's project. Although one in every 330 American children contracts cancer before age 20, childhood cancer research is consistently underfunded. Scott was advised that it could be challenging to raise money 50 cents at a time. "I don't care. I'll do it anyway," she replied.

Like thousands of other junior entrepreneurs around the country, Scott set up a table in her front yard and started selling paper cups of lemonade to neighbors and passersby. Her hand-printed sign advertised that all proceeds would go to childhood cancer research. The 50-cent price of a glass of lemonade was ignored as customers paid with bills ($1, $5, $10, and $20) and allowed her to keep the change as a donation. Scott understood the importance of change management, and the change really added up.

Scott raised more than $2,000 that first year. Her plan was far more than a social entrepreneur's desire to earn profits for a purpose; rather, it empowered others to act for her cause. She reopened her stand for business each summer, and news of its existence and worthy cause spread far beyond her neighborhood, her town, and even her home state of Pennsylvania. She leveraged that momentum and got others to set up their own lemonade stands. Her approach was "sticky" in more ways than one.[6] Before long, lemonade stand fundraisers took place in 50 states, plus Canada and France. Scott and her family appeared on *The Oprah Winfrey Show* as well as *The Today Show.*

Not one to be easily daunted, Scott set a goal to raise $1 million for cancer research. By the time she reached $700,000, Volvo of North America stepped in and pledged to hold a fundraising event to assure that the $1 million goal would be reached.

Four years after setting up her first lemonade stand, Scott succumbed to cancer. She was 8. In her too-short life she raised $1 million for cancer research, built awareness of the seriousness of childhood cancer, and taught a generation of children (and their parents) about the importance of abstract ideals like community and charity. She also demonstrated that making a difference can be fun.

To carry on Scott's legacy, her parents established a nonprofit in her name, Alex's Lemonade Stand Foundation (ALSF). Since its founding, the 501(c)(3) charity has inspired more than 10,000 volunteers to set up more than 15,000 stands. It has raised in excess of $27 million and donated to more than 100 research projects at nearly 50 institutions in the United States. Scott assembled a band of cancer-fighting evangelists (family, friends, neighbors, citizens, and corporations) that was far more powerful than anyone, even those closest to her, ever thought possible. At first, ALSF stayed connected to its constituents through two electronic newsletters, *Million Dollar Monday* and *Freshly Squeezed Friday News*, which included updates and anecdotes from lemonade stands around the country. No explicit appeal was made; they kept the news light and fun. But when ALSF started branching into social media, it found that the old rules didn't apply. It engaged its community more directly and frequently through Twitter alerts and Facebook posts. With the help of social media—30,000 Twitter followers and 33,000 Facebook fans—the organization garnered a strong and faithful fan base, growing exponentially. ALSF also redeployed its experience to make it dead simple for anyone to hold a lemonade stand. Their site (www.alexslemonade.org) documents, down to the last detail, what one needs and includes downloadable templates and tools. The foundation sends everyone who registers a package of ALSF-branded materials, with banners, signs, posters, and flyers.

People all over the world took Scott's idea and transformed it into a movement. The success of Alex's Lemonade Stand Foundation wasn't as much about raising money as it was inspiring people to take action. The organization recognized that traditional fundraising (dialing or dining for dollars) was a relatively passive act. By helping children around the country set up their own lemonade stands to fight childhood cancer, Scott mobilized a population of young ambassadors whose involvement and heightened awareness made a much more significant impact.

The organization embraced all four wings of the dragonfly: It focused on the goal to honor Scott's wish to raise money to fight childhood cancer; it grabbed attention by tapping into a deep-rooted American tradition, the lemonade stand; it engaged people's emotions by telling and retelling Scott's compelling story. And finally, it excelled at the fourth wing of the Dragonfly Effect, Take Action, the wing critical to closing the loop on previous efforts.

Ultimately, the Dragonfly Effect demonstrates that one doesn't need money or power to cause seismic social change. With energy, focus, and a good wireless connection, anything is possible. ■

This article is based on the book *The Dragonfly Effect* by Jennifer Aaker and Andy Smith (John Wiley & Sons, 2010).

Notes

1 For more on design thinking, see IDEO's Human Centered Design Toolkit, 2009. Available at http://www.ideo.com/work/featured/human-centered-design-toolkit.

2 This e-mail is abbreviated; the full version can be found at http://faculty-gsb.stanford.edu/aaker/pages/documents/UsingSocialMediatoSaveLives.pdf.

3 To view the video, see http://www.youtube.com/watch?v=lqT_dPApj9U.

4 A hashtag is a short message using words or phrases prefixed with the hash symbol # that allows Twitter followers to search topic areas or current events.

5 Edelman Research, "The Social Pulpit: Barack Obama's Social Media Toolkit," 2009.

6 Stickiness refers to a quality that the most successful ideas and endeavors have: that of grabbing and holding attention. It's a concept that grew to maturity during the dot-com era, fueled by Chip and Dan Heath's bestselling book *Made to Stick: Why Some Ideas Survive and Others Die*, New York: Random House, 2007.

Collective Impact

LARGE-SCALE SOCIAL CHANGE REQUIRES BROAD CROSS-SECTOR COORDINATION, YET THE SOCIAL SECTOR REMAINS FOCUSED ON THE ISOLATED INTERVENTION OF INDIVIDUAL ORGANIZATIONS.

BY JOHN KANIA & MARK KRAMER

Illustration by Martin Jarrie

The scale and complexity of the U.S. public education system has thwarted attempted reforms for decades. Major funders, such as the Annenberg Foundation, Ford Foundation, and Pew Charitable Trusts have abandoned many of their efforts in frustration after acknowledging their lack of progress. Once the global leader—after World War II the United States had the highest high school graduation rate in the world—the country now ranks 18th among the top 24 industrialized nations, with more than 1 million secondary school students dropping out every year. The heroic efforts of countless teachers, administrators, and nonprofits, together with billions of dollars in charitable contributions, may have led to important improvements in individual schools and classrooms, yet system-wide progress has seemed virtually unobtainable.

Against these daunting odds, a remarkable exception seems to be emerging in Cincinnati. Strive, a nonprofit subsidiary of KnowledgeWorks, has brought together local leaders to tackle the student achievement crisis and improve education throughout greater Cincinnati and northern Kentucky. In the four years since the group was launched, Strive partners have improved student success in dozens of key areas across three large public school districts. Despite the recession and budget cuts, 34 of the 53 success indicators that Strive tracks have shown positive trends, including high school graduation rates, fourth-grade reading and math scores, and the number of preschool children prepared for kindergarten.

Why has Strive made progress when so many other efforts have failed? It is because a core group of community leaders decided to abandon their individual agendas in favor of a collective approach to improving student achievement. More than 300 leaders of local organizations agreed to participate, including the heads of influential private and corporate foundations, city government officials, school district representatives, the presidents of eight universities and community colleges, and the executive directors of hundreds of education-related nonprofit and advocacy groups.

These leaders realized that fixing one point on the educational continuum—such as better after-school programs—wouldn't make much difference unless all parts of the continuum improved at the same time. No single organization, however innovative or powerful, could accomplish this alone. Instead, their ambitious mission became to coordinate improvements at *every* stage of a young person's life, from "cradle to career."

Strive didn't try to create a new educational program or attempt to convince donors to spend more money. Instead, through a carefully structured process, Strive focused the entire educational community on a single set of goals, measured in the same way. Participating organizations are grouped into 15 different Student Success Networks (SSNs) by type of activity, such as early childhood education or tutoring. Each SSN has been meeting with coaches and facilitators for two hours every two weeks for the past three years, developing shared performance indicators, discussing their progress, and most important, learning from each other and aligning their efforts to support each other.

Strive, both the organization and the process it helps facilitate, is an example of *collective impact*, the commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem. Collaboration is nothing new. The social sector is filled with examples of partnerships, networks, and other types of joint efforts. But collective impact initiatives are distinctly different. Unlike most


HOSPITAL
SCHOOL
M.Jarrie

collaborations, collective impact initiatives involve a centralized infrastructure, a dedicated staff, and a structured process that leads to a common agenda, shared measurement, continuous communication, and mutually reinforcing activities among all participants. (See "Types of Collaborations" on page 39.)

Although rare, other successful examples of collective impact are addressing social issues that, like education, require many different players to change their behavior in order to solve a complex problem. In 1993, Marjorie Mayfield Jackson helped found the Elizabeth River Project with a mission of cleaning up the Elizabeth River in southeastern Virginia, which for decades had been a dumping ground for industrial waste. They engaged more than 100 stakeholders, including the city governments of Chesapeake, Norfolk, Portsmouth, and Virginia Beach, Va., the Virginia Department of Environmental Quality, the U.S. Environmental Protection Agency (EPA), the U.S. Navy, and dozens of local businesses, schools, community groups, environmental organizations, and universities, in developing an 18-point plan to restore the watershed. Fifteen years later, more than 1,000 acres of watershed land have been conserved or restored, pollution has been reduced by more than 215 million pounds, concentrations of the most severe carcinogen have been cut sixfold, and water quality has significantly improved. Much remains to be done before the river is fully restored, but already 27 species of fish and oysters are thriving in the restored wetlands, and bald eagles have returned to nest on the shores.

Or consider Shape up Somerville, a citywide effort to reduce and prevent childhood obesity in elementary school children in Somerville, Mass. Led by Christina Economos, an associate professor at Tufts University's Gerald J. and Dorothy R. Friedman School of Nutrition Science and Policy, and funded by the Centers for Disease Control and Prevention, the Robert Wood Johnson Foundation, Blue Cross Blue Shield of Massachusetts, and United Way of Massachusetts Bay and Merrimack Valley, the program engaged government officials, educators, businesses, nonprofits, and citizens in collectively defining wellness and weight gain prevention practices. Schools agreed to offer healthier foods, teach nutrition, and promote physical activity. Local restaurants received a certification if they served low-fat, high nutritional food. The city organized a farmers' market and provided healthy lifestyle incentives such as reduced-price gym memberships for city employees. Even sidewalks were modified and crosswalks repainted to encourage more children to walk to school. The result was a statistically significant decrease in body mass index among the community's young children between 2002 and 2005.

Even companies are beginning to explore collective impact to tackle social problems. Mars, a manufacturer of chocolate brands such as M&M's, Snickers, and Dove, is working with NGOs, local governments, and even direct competitors to improve the lives of more than 500,000 impoverished cocoa farmers in Cote d'Ivoire, where Mars sources a large portion of its cocoa. Research suggests that better farming practices and improved plant stocks could triple the yield per hectare, dramatically increasing farmer incomes and improving the sustainability of Mars's supply chain. To accomplish this, Mars must enlist the coordinated efforts of multiple organizations: the Cote d'Ivoire government needs to provide more agricultural extension workers, the World Bank needs to finance new roads, and bilateral donors need to support NGOs in improving health care, nutrition, and education in cocoa growing communities. And Mars must find ways to work with its direct competitors on pre-competitive issues to reach farmers outside its supply chain.

These varied examples all have a common theme: that large-scale social change comes from better cross-sector coordination rather than from the isolated intervention of individual organizations. Evidence of the effectiveness of this approach is still limited, but these examples suggest that substantially greater progress could be made in alleviating many of our most serious and complex social problems if nonprofits, governments, businesses, and the public were brought together around a common agenda to create collective impact. It doesn't happen often, not because it is impossible, but because it is so rarely attempted. Funders and nonprofits alike overlook the potential for collective impact because they are used to focusing on independent action as the primary vehicle for social change.

ISOLATED IMPACT

Most funders, faced with the task of choosing a few grantees from many applicants, try to ascertain which organizations make the greatest contribution toward solving a social problem. Grantees, in turn, compete to be chosen by emphasizing how their individual activities produce the greatest effect. Each organization is judged on its own potential to achieve impact, independent of the numerous other organizations that may also influence the issue. And when a grantee is asked to evaluate the impact of its work, every attempt is made to isolate that grantee's individual influence from all other variables.

In short, the nonprofit sector most frequently operates using an approach that we call *isolated impact*. It is an approach oriented toward finding and funding a solution embodied within a single organization, combined with the hope that the most effective organizations will grow or replicate to extend their impact more widely. Funders search for more effective interventions as if there were a cure for failing schools that only needs to be discovered, in the way that medical cures are discovered in laboratories. As a result of this process, nearly 1.4 million nonprofits try to invent independent solutions to major social problems, often working at odds with each other and exponentially increasing the perceived resources required to make meaningful progress. Recent trends have only reinforced this perspective. The growing interest in venture philanthropy and social entrepreneurship, for example, has greatly benefited the social sector by identifying and accelerating the growth of many high-performing nonprofits, yet it has also accentuated an emphasis on scaling up a few select organizations as the key to social progress.

Despite the dominance of this approach, there is scant evidence that isolated initiatives are the best way to solve many social problems in today's complex and interdependent world. No single organization is responsible for any major social problem, nor can any single

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TYPES OF COLLABORATIONS

Organizations have attempted to solve social problems by collaboration for decades without producing many results. The vast majority of these efforts lack the elements of success that enable collective impact initiatives to achieve a sustained alignment of efforts.

Funder Collaboratives are groups of funders interested in supporting the same issue who pool their resources. Generally, participants do not adopt an overarching evidence-based plan of action or a shared measurement system, nor do they engage in differentiated activities beyond check writing or engage stakeholders from other sectors.

Public-Private Partnerships are partnerships formed between government and private sector organizations to deliver specific services or benefits. They are often targeted narrowly, such as developing a particular drug to fight a single disease, and usually don't engage the full set of stakeholders that affect the issue, such as the potential drug's distribution system.

Multi-Stakeholder Initiatives are voluntary activities by stakeholders from different sectors around a common theme. Typically, these initiatives lack any shared measurement of impact and the supporting infrastructure to forge any true alignment of efforts or accountability for results.

Social Sector Networks are groups of individuals or organizations fluidly connected through purposeful relationships, whether formal or informal. Collaboration is generally ad hoc, and most often the emphasis is placed on information sharing and targeted short-term actions, rather than a sustained and structured initiative.

Collective Impact Initiatives are long-term commitments by a group of important actors from different sectors to a common agenda for solving a specific social problem. Their actions are supported by a shared measurement system, mutually reinforcing activities, and ongoing communication, and are staffed by an independent backbone organization.

organization cure it. In the field of education, even the most highly respected nonprofits—such as the Harlem Children's Zone, Teach for America, and the Knowledge Is Power Program (KIPP)—have taken decades to reach tens of thousands of children, a remarkable achievement that deserves praise, but one that is three orders of magnitude short of the tens of millions of U.S. children that need help.

The problem with relying on the isolated impact of individual organizations is further compounded by the isolation of the nonprofit sector. Social problems arise from the interplay of governmental and commercial activities, not only from the behavior of social sector organizations. As a result, complex problems can be solved only by cross-sector coalitions that engage those outside the nonprofit sector.

We don't want to imply that all social problems require collective impact. In fact, some problems are best solved by individual organizations. In "Leading Boldly," an article we wrote with Ron Heifetz for the winter 2004 issue of the *Stanford Social Innovation Review*, we described the difference between *technical problems* and *adaptive problems*. Some social problems are technical in that the problem is well defined, the answer is known in advance, and one or a few organizations have the ability to implement the solution. Examples include funding college scholarships, building a hospital, or installing inventory controls in a food bank. Adaptive problems, by contrast, are complex, the answer is not known, and even if it were, no single entity has the resources or authority to bring about the necessary change. Reforming public education, restoring wetland environments, and improving community health are all adaptive problems. In these cases, reaching an effective solution requires learning by the stakeholders involved in the problem, who must then change their own behavior in order to create a solution.

Shifting from isolated impact to collective impact is not merely a matter of encouraging more collaboration or public-private partnerships. It requires a systemic approach to social impact that focuses on the relationships between organizations and the progress toward shared objectives. And it requires the creation of a new set of nonprofit management organizations that have the skills and resources to assemble and coordinate the specific elements necessary for collective action to succeed.

THE FIVE CONDITIONS OF COLLECTIVE SUCCESS

Our research shows that successful collective impact initiatives typically have five conditions that together produce true alignment and lead to powerful results: a common agenda, shared measurement systems, mutually reinforcing activities, continuous communication, and backbone support organizations.

Common Agenda | Collective impact requires all participants to have a shared vision for change, one that includes a common understanding of the problem and a joint approach to solving it through agreed upon actions. Take a close look at any group of funders and nonprofits that believe they are working on the same social issue, and you quickly find that it is often not the same issue at all. Each organization often has a slightly different definition of the problem and the ultimate goal. These differences are easily ignored when organizations work independently on isolated initiatives, yet these differences splinter the efforts and undermine the impact of the field as a whole. Collective impact requires that these differences be discussed and resolved. Every participant need not agree with every other participant on all dimensions of the problem. In fact, disagreements continue to divide participants in all of our examples of collective impact. All participants must agree, however, on the primary goals for the collective impact initiative as a whole. The Elizabeth River Project, for example, had to find common ground among the different objectives of corporations, governments, community groups, and local citizens in order to establish workable cross-sector initiatives.

Funders can play an important role in getting organizations to act in concert. In the case of Strive, rather than fueling hundreds of strategies and nonprofits, many funders have aligned to support Strive's central goals. The Greater Cincinnati Foundation realigned its education goals to be more compatible with Strive, adopting Strive's annual report card as the foundation's own measures for progress in education. Every time an organization applied to Duke Energy for a grant, Duke asked, "Are you part of the [Strive] network?" And when a new funder, the Carol Ann and Ralph V. Haile Jr./U.S. Bank Foundation, expressed interest in education, they were encouraged by virtually every major education leader in Cincinnati to join Strive if they wanted to have an impact in local education.[1]

Shared Measurement Systems | Developing a shared measurement system is essential to collective impact. Agreement on a common agenda is illusory without agreement on the ways success will be measured and reported. Collecting data and measuring results consistently on a short list of indicators at the community level and across all participating organizations not only ensures that all efforts remain aligned, it also enables the participants to hold each other accountable and learn from each other's successes and failures.

It may seem impossible to evaluate hundreds of different organizations on the same set of measures. Yet recent advances in Web-based technologies have enabled common systems for reporting performance and measuring outcomes. These systems increase efficiency and reduce cost. They can also improve the quality and credibility of the data collected, increase effectiveness by enabling grantees to learn from each other's performance, and document the progress of the field as a whole.[2]

All of the preschool programs in Strive, for example, have agreed to measure their results on the same criteria and use only evidence-based decision making. Each type of activity requires a different set of measures, but all organizations engaged in the same type of activity report on the same measures. Looking at results across multiple organizations enables the participants to spot patterns, find solutions, and implement them rapidly. The preschool programs discovered that children regress during the summer break before kindergarten. By launching an innovative "summer bridge" session, a technique more often used in middle school, and implementing it simultaneously in all preschool programs, they increased the average kindergarten readiness scores throughout the region by an average of 10 percent in a single year.[3]

Mutually Reinforcing Activities | Collective impact initiatives depend on a diverse group of stakeholders working together, not by requiring that all participants do the same thing, but by encouraging each participant to undertake the specific set of activities at which it excels in a way that supports and is coordinated with the actions of others.

The power of collective action comes not from the sheer number of participants or the uniformity of their efforts, but from the coordination of their differentiated activities through a mutually reinforcing plan of action. Each stakeholder's efforts must fit into an overarching plan if their combined efforts are to succeed. The multiple causes of social problems, and the components of their solutions, are interdependent. They cannot be addressed by uncoordinated actions among isolated organizations.

All participants in the Elizabeth River Project, for example, agreed on the 18-point watershed restoration plan, but each is playing a different role based on its particular capabilities. One group of organizations works on creating grassroots support and engagement among citizens, a second provides peer review and recruitment for industrial participants who voluntarily reduce pollution, and a third coordinates and reviews scientific research.

The 15 SSNs in Strive each undertake different types of activities at different stages of the educational continuum. Strive does not prescribe what practices each of the 300 participating organizations should pursue. Each organization and network is free to chart its own course consistent with the common agenda, and informed by the shared measurement of results.

Continuous Communication | Developing trust among nonprofits, corporations, and government agencies is a monumental challenge. Participants need several years of regular meetings to build up enough experience with each other to recognize and appreciate the common motivation behind their different efforts. They need time to see that their own interests will be treated fairly, and that decisions will be made on the basis of objective evidence and the best possible solution to the problem, not to favor the priorities of one organization over another.

Even the process of creating a common vocabulary takes time, and it is an essential prerequisite to developing shared measurement systems. All the collective impact initiatives we have studied held monthly or even biweekly in-person meetings among the organizations' CEO-level leaders. Skipping meetings or sending lower-level delegates was not acceptable. Most of the meetings were supported by external facilitators and followed a structured agenda.

The Strive networks, for example, have been meeting regularly for more than three years. Communication happens between meetings too: Strive uses Web-based tools, such as Google Groups, to keep communication flowing among and within the networks. At first, many of the leaders showed up because they hoped that their participation would bring their organizations additional funding, but they soon learned that was not the meetings' purpose. What they discovered instead were the rewards of learning and solving problems together with others who shared their same deep knowledge and passion about the issue.

Backbone Support Organizations | Creating and managing collective impact requires a separate organization and staff with a very specific set of skills to serve as the backbone for the entire initiative. Coordination takes time, and none of the participating organizations has any to spare. The expectation that collaboration can occur without a supporting infrastructure is one of the most frequent reasons why it fails.

The backbone organization requires a dedicated staff separate from the participating organizations who can plan, manage, and support the initiative through ongoing facilitation, technology and communications support, data collection and reporting, and handling the myriad logistical and administrative details needed for the initiative to function smoothly. Strive has simplified the initial staffing requirements for a backbone organization to three roles: project manager, data manager, and facilitator.

Collective impact also requires a highly structured process that leads to effective decision making. In the case of Strive, staff worked with General Electric (GE) to adapt for the social sector the Six Sigma process that GE uses for its own continuous quality improvement. The Strive Six Sigma process includes training, tools, and resources that each SSN uses to define its common agenda, shared measures, and plan of action, supported by Strive facilitators to guide the process.

In the best of circumstances, these backbone organizations embody the principles of adaptive leadership: the ability to focus people's attention and create a sense of urgency, the skill to apply pressure to stakeholders without overwhelming them, the competence to frame issues in a way that presents opportunities as well as difficulties, and the strength to mediate conflict among stakeholders.

FUNDING COLLECTIVE IMPACT

Creating a successful collective impact initiative requires a significant financial investment: the time participating organizations must dedicate to the work, the development and monitoring of shared measurement systems, and the staff of the backbone organization needed to lead and support the initiative's ongoing work.

As successful as Strive has been, it has struggled to raise money, confronting funders' reluctance to pay for infrastructure and preference for short-term solutions. Collective impact requires instead that funders support a long-term process of social change without identifying any particular solution in advance. They must be willing to let grantees steer the work and have the patience to stay with an initiative for years, recognizing that social change can come from the gradual improvement of an entire system over time, not just from a single breakthrough by an individual organization.

This requires a fundamental change in how funders see their role, from funding organizations to leading a long-term process of social change. It is no longer enough to fund an innovative solution created by a single nonprofit or to build that organization's capacity. Instead, funders must help create and sustain the collective processes, measurement reporting systems, and community leadership that enable cross-sector coalitions to arise and thrive.

This is a shift that we foreshadowed in both "Leading Boldly" and our more recent article, "Catalytic Philanthropy," in the fall 2009 issue of the *Stanford Social Innovation Review*. In the former, we suggested that the most powerful role for funders to play in addressing adaptive problems is to focus attention on the issue and help to create a process that mobilizes the organizations involved to find a solution themselves. In "Catalytic Philanthropy," we wrote: "Mobilizing and coordinating stakeholders is far messier and slower work than funding a compelling grant request from a single organization. Systemic change, however, ultimately depends on a sustained campaign to increase the capacity and coordination of an entire field." We recommended that funders who want to create large-scale change follow four practices: take responsibility for assembling the elements of a solution; create a movement for change; include solutions from outside the nonprofit sector; and use actionable knowledge to influence behavior and improve performance.

These same four principles are embodied in collective impact initiatives. The organizers of Strive abandoned the conventional approach of funding specific programs at education nonprofits and took responsibility for advancing education reform themselves. They built a movement, engaging hundreds of organizations in a drive toward shared goals. They used tools outside the nonprofit sector, adapting GE's Six Sigma planning process for the social sector. And through the community report card and the biweekly meetings of the SSNs they created actionable knowledge that motivated the community and improved performance among the participants.

Funding collective impact initiatives costs money, but it can be a highly leveraged investment. A backbone organization with a modest annual budget can support a collective impact initiative of several hundred organizations, magnifying the impact of millions or even billions of dollars in existing funding. Strive, for example, has a $1.5 million annual budget but is coordinating the efforts and increasing the effectiveness of organizations with combined budgets of $7 billion. The social sector, however, has not yet changed its funding practices to enable the shift to collective impact. Until funders are willing to embrace this new approach and invest sufficient resources in the necessary facilitation, coordination, and measurement that enable organizations to work in concert, the requisite infrastructure will not evolve.

FUTURE SHOCK

What might social change look like if funders, nonprofits, government officials, civic leaders, and business executives embraced collective impact? Recent events at Strive provide an exciting indication of what might be possible.

Strive has begun to codify what it has learned so that other communities can achieve collective impact more rapidly. The organization is working with nine other communities to establish similar cradle to career initiatives.[4] Importantly, although Strive is broadening its impact to a national level, the organization is not scaling up its own operations by opening branches in other cities. Instead, Strive is promulgating a flexible process for change, offering each community a set of tools for collective impact, drawn from Strive's experience but adaptable to the community's own needs and resources. As a result, the new communities take true ownership of their own collective impact initiatives, but they don't need to start the process from scratch. Activities such as developing a collective educational reform mission and vision or creating specific community-level educational indicators are expedited through the use of Strive materials and assistance from Strive staff. Processes that took Strive several years to develop are being adapted and modified by other communities in significantly less time.

These nine communities plus Cincinnati have formed a community of practice in which representatives from each effort connect regularly to share what they are learning. Because of the number and diversity of the communities, Strive and its partners can quickly determine what processes are universal and which require adaptation to a local context. As learning accumulates, Strive staff will incorporate new findings into an Internet-based knowledge portal that will be available to any community wishing to create a collective impact initiative based on Strive's model.

This exciting evolution of the Strive collective impact initiative is far removed from the isolated impact approach that now dominates the social sector and that inhibits any major effort at comprehensive, large-scale change. If successful, it presages the spread of a new approach that will enable us to solve today's most serious social problems with the resources we already have at our disposal. It would be a shock to the system. But it's a form of shock therapy that's badly needed. ■

Notes

1 Interview with Kathy Merchant, CEO of the Greater Cincinnati Foundation, April 10, 2010.

2 See Mark Kramer, Marcie Parkhurst, and Lalitha Vaidyanathan, *Breakthroughs in Shared Measurement and Social Impact*, FSG Social Impact Advisors, 2009.

3 "Successful Starts," United Way of Greater Cincinnati, second edition, fall 2009.

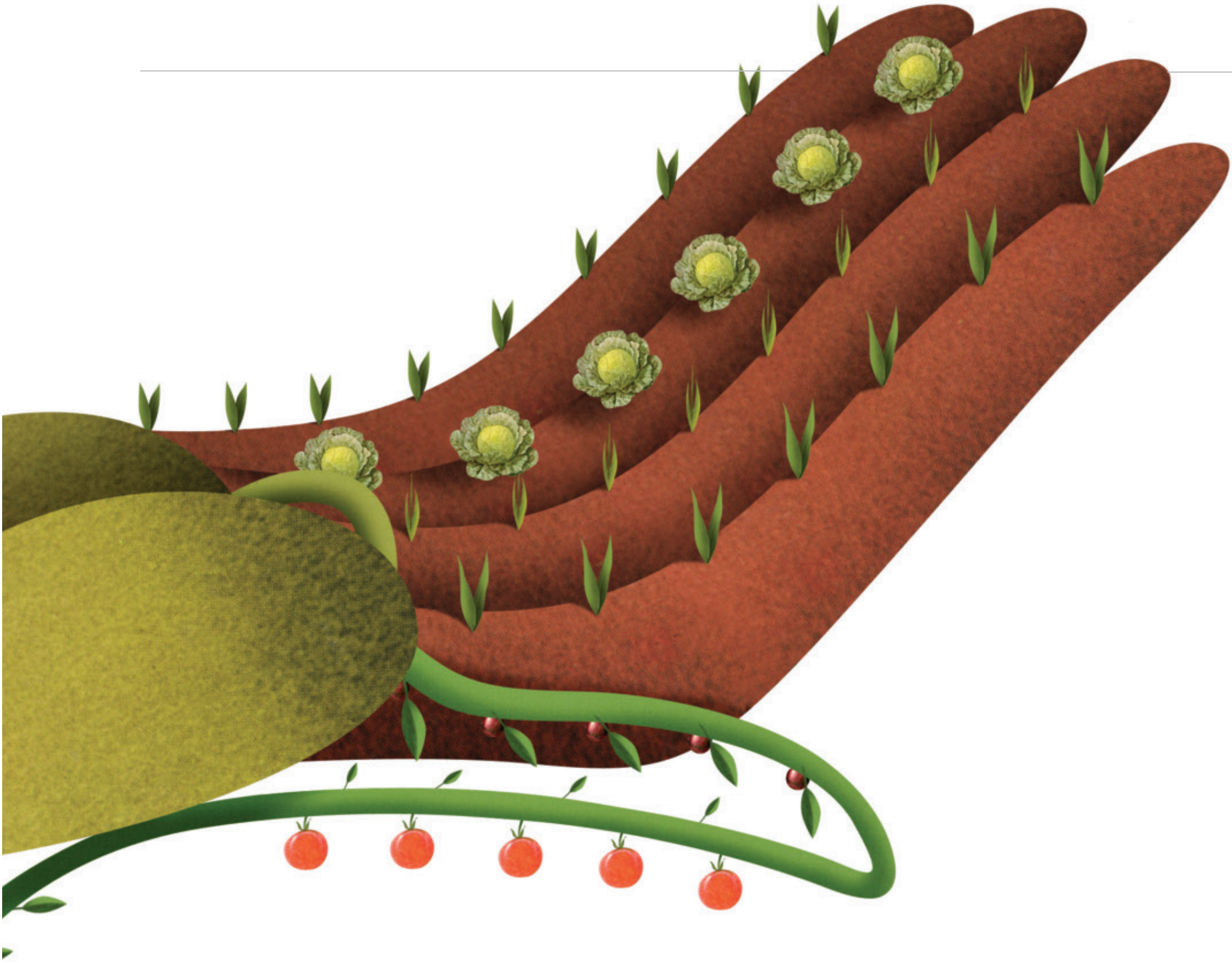
4 Indianapolis, Houston, Richmond, Va., and Hayward, Calif., are the first four communities to implement Strive's process for educational reform. Portland, Ore., Fresno, Calif., Mesa, Ariz., Albuquerque, and Memphis are just beginning their efforts.

Disseminating Orphan Innovations

The social sector invests a great deal of time and money trying to create social innovations, but pays scant attention to the challenges of spreading successful ones to other locations. Disseminating innovations takes a distinct, sophisticated skill set, one that often requires customizing the program to new circumstances, not replicating.

By Susan H. Evans & Peter Clarke

Illustration by Brett Ryder



THE DOCUMENTARY FILM *The Providence Effect*, released in late 2009, quickly drew admiring attention to a K-12 school serving Chicago's blighted West Side. The majority of Providence-St. Mel's (PSM) 700 students come from economically deprived circumstances and single-parent households, but for the past 29 years all graduates have been accepted to college, and many offered scholarships by top institutions. In the film, the school's founder, principal, and teachers are eloquent in explaining PSM's methods. Politicians and celebrities are shown showering praise on the school. A state official proclaims, "I'd like to put this school on a Xerox machine."

One would think that schools around the country would have copied PSM's methods. Strangely, few have. By the film's count, just a handful of other schools among the nation's nearly 15,000 school systems have used these methods. Why not? The principal of the school insists in the film, "It's not rocket science." Nevertheless, the program remains what we call an "orphan innovation."

The Providence Effect offers a stunning reminder that spectacularly effective social programs often fail to take root in other places. The social sector invests intensively to foster innovation, but seems to have less enthusiasm for mastering the skills of transplanting successful innovations to other needy locales. The sector urgently needs insights explaining how to migrate effective solutions from one place to another.

This article tells the story of our experience transplanting a social innovation that was a much-lauded success at its original site but had not spread to other locations. The innovation involves recovering "edible but not sellable" fresh fruits and vegetables and swiftly distributing these nutritious foods to low-income people via food banks,[1] pantries, and other distribution services—a program that would seem easy to replicate. Eventually the innovation did take root elsewhere—at last count, in more than 150 other locations around the United

States—but the process took nearly 20 years and a great deal of trial and error.

We suspect that orphan innovations are the consequence of two complementary but flawed perceptions: that dissemination is straightforward compared with the sophistication and energies required for creating the idea in the first place, and that dissemination is simply a process of replication, reproducing carbon copies of the original idea. Our experience points to the contrary: that dissemination takes a distinct, sophisticated skill set, and that successful dissemination is a process of *customizing* the program to new circumstances, not *replicating*. We hope that our experience and the lessons that we learned can help others scale up social innovations from isolated successes into widely embraced practices.

THE INNOVATOR

One predawn morning in April 1987, retired produce wholesaler Mickey Weiss was driving from his home in Beverly Hills, Calif., to the sprawling produce loading docks southeast of downtown Los Angeles, his former place of business now operated by his son Dennis. Mickey Weiss slowed at a railroad siding and noted homeless people, including families, heating breakfasts of old bread. Later that morning, he stepped to the edge of his son's dock for some fresh air. To his right, a groaning forklift raised a pallet of strawberries above the lip of a giant refuse bin, dumping more than 1,000 pounds of fresh fruit into the container.

In his 40-year career, Weiss had seen excess goods discarded thousands of times. He understood that one-third to one-half of fresh produce never reaches a consumer's table. Instead, these perishable fruits and vegetables are not even harvested, or they are dumped into landfills at various points between field and grocery display. The reasons for this waste vary: Buyers, either wholesale or retail, fail to appear before the produce has declined in freshness; or vagaries in pricing and requirements for speedy transport render the food expendable.

That morning, however, something clicked in Weiss's mind. Why dump so much nutritious food just because its shelf life has become too short to survive commercial delays between wholesaling and retailing? Weiss was a generous man, a frequent supporter of charities and educational causes. But until that spring day in 1987, he had never put together two ideas: vast, discarded surpluses in his own produce industry and urgent human needs just a few blocks away.

Weiss came up with a plan. He persuaded management of the wholesale market to lend him 2,500 square feet of dock space, and surrounded it with cyclone fencing. He began to solicit his former competitors to donate produce about to be discarded. Weiss could spot distressed goods, like zucchini starting to brown at the vine end, and knew how to pry donations from hard-nosed wholesalers. He organized high school volunteers to telephone charities throughout the Los Angeles region, asking if they could use free fresh produce. Community pantries, churches, rehab missions, low-income daycare centers, battered women's shelters, and other agencies quickly responded, sending their vehicles to Weiss's space. Soon, millions of pounds of healthy fresh produce were being diverted from landfill and onto the plates of hungry children and adults.

Weiss's charitable produce dock did not escape notice. He testified at a congressional hearing, received the Presidential End Hunger award, and was named by President George H. W. Bush as one of "a thousand points of light." The *Los Angeles Times* and other media wrote feature articles about Weiss and his dock's work. With such gold-plated endorsements and wide publicity, Weiss's idea was certain to spread quickly—or so it would have seemed.

THE DISSEMINATORS

Four years after Weiss had launched his bold idea, we learned of it in a circuitous manner. Peter Clarke was dean of the Annenberg School for Communication & Journalism at the University of Southern California. Susan H. Evans was the school's director of academic development. A letter arrived one day from an administrator at the U.S. Department of Agriculture who suggested that the school, with its interests in media and publicity, should look into the charitable dock, just a couple of miles away.

We were stunned by what we discovered. Weiss was charming, shrewd, public-spirited, and eloquent about his mission, and his Charitable Distribution Facility was alleviating hunger and improving human nutrition on a grand scale, sometimes distributing 2 million pounds of fruits and vegetables monthly. So why had Weiss's work attracted just one imitator, the Houston Food Bank?

This innovation, not unlike other successful social programs, had stalled. It had become an orphan innovation. Where were the adopters?

At the time, we didn't know the answer to that question. But we did know this: Food banks' inventories consisted largely of cereals, carbonated beverages, candy, snacks, and other convenience foods; and low-income people seldom met the national goal of five servings a day of fresh fruits and vegetables. We were looking at a potential major public health intervention the likes of which academic researchers can only dream about.

We thought that by relying on our understanding of the diffusion of innovations, we could easily rescue Weiss's orphan from obscurity. In our hubris (and ignorance), we predicted confidently that to achieve success we would need to give only a year or so of our attention—part time at that—to leaders of food banks across the country, teaching them about produce collection and distribution.

Little did we suspect that our first adopting location would not launch its produce program until two years later (in 1993). Nor could we have imagined that we would still be turning food banks into produce distributors almost two decades later. We discovered that the diffusion of orphan innovations was anything but fast and obvious.

DISSEMINATION

Our first instinct was to hold an invited conference that would bring together the people and organizations required to set up produce recovery in several regions. By telephoning food banks

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and sources in the produce wholesale industry, we identified five cities across America where people seemed ready to collaborate on setting up a donation and distribution system. With a grant from the Ralph M. Parsons Foundation, we invited potential partners to Los Angeles for two days of meetings. They saw Weiss's dock in action and quizzed him about its operations. A representative from Houston's program contributed his experiences. We wrote a detailed workbook describing the Los Angeles operation, including forms and legal documents. We organized the five cities' representatives into small-group discussions about the dissemination of innovations, including what makes the process challenging and, with care, successful. Participants drew up a checklist of actions to create produce programs in their cities. We promised to follow up with phone calls to keep track of progress and to offer timely encouragement, which we did.

One year later, none of these five cities had made convincing progress toward launching regular produce donations from wholesalers. From our repeated telephone inquiries we began to recognize our mistake: We were attempting to transplant a *copy* of the Los Angeles program. Instead, we should have been transplanting the *concept* of produce collection in whatever manner the local food bank could best use.

We had underestimated the importance of embracing variation in each site's geography, business culture, charitable infrastructure, and more. We discovered how quickly a workshop's atmosphere of enthusiasm and commitment could fade. We were forcibly reminded of how often information must be repeated and made salient before learning occurs. We also had not forecast the number of groups that must come together, gradually over time, to launch and sustain a social service program. In short, we had been technocrats; we lacked hands-on experience with the realities of the fresh produce industry and with local nonprofit food banks.

But how to provide a more individualized and knowledgeable approach? We began attending national and regional meetings of two organizations that encompassed the vast majority of local food distribution efforts: America's Second Harvest (with more than 200 food banks) and Foodchain, to which 127 prepared-and-perishable groups belonged. (Foodchain and Second Harvest subsequently merged, rebranding itself as Feeding America.) We made friends with the most progressive and forthcoming executive directors we could find and peppered them with questions about how they operated. We studied national directories of the produce industry, learning about suppliers in various cities and states.

Ultimately, we created a project called From the Wholesaler to the Hungry (FWH), based at Annenberg and the Keck School of Medicine. We distributed our contact information to food banks and invited members to phone or write us in order to explore possibilities of launching wholesale produce recovery efforts of their own.

Meanwhile, recognizing our underlying motivation to improve the health of low-income people, leaders of the national organizations began to offer us program slots where we could explain the value of fresh vegetables and fruits in diets. In our presentations, we urged executive directors to see that malnutrition and the prevention of chronic diseases are as important to their mission as hunger relief. We showed pictures of the achievements by Houston and Los Angeles. Conversations at these national gatherings started to fan sparks of interest among executive directors. We followed up with each promising place, extending the following offer:

> We will spend two days with you conducting a feasibility study. During that visit we will:
>
> a) Meet with you and your board to describe the costs and benefits of a produce program, on top of the packaged goods you already handle;
> b) Meet with as many of your organization's staff as possible, from warehouse to front office, to explain the challenges and advantages of handling fresh produce;
> c) Take you on exploratory meetings with three or four potential produce wholesale donors, to sample their willingness to get involved;
> d) Meet with some of your recipient agencies, to gauge their eagerness and apprehensions about getting fresh produce;
> e) Make presentations on your behalf to local foundations or significant philanthropic donors, if you wish;
> f) Visit local health authorities or political figures, if you wish;
> g) Have an exit conversation to review what we have learned;
> h) Within a week, send you a detailed report of our appraisal of whether a produce program can be successful in your locale, along with a checklist of near- and longer-term steps required for a pilot effort.
>
> These services are free to you. At the conclusion of these exchanges, you may decide to move forward on produce collections, in which case we will continue to provide technical assistance and help develop financial support for incremental costs. Or you may decide that fresh produce is not in your organization's immediate future, and we will not contact you further.

One of the earliest food banks to accept our invitation was in Baltimore. Because a wholesale market in nearby Jessup, Md., figured to be an important supplier, we took Weiss along. He taught our hosts and us how to schmooze with dock owners and managers. The visit went as planned. The food bank's executive director seemed persuaded to launch a produce effort.

Still, weeks dragged by with no apparent progress and no convincing reasons for the delay. Finally, in frustration, we called the executive director. "We have a piece of good news," we lied. We said that one of our supporters had family ties to Baltimore and wanted to see the food bank distribute significant amounts of fresh produce, and that we had a check for $1,000 to donate toward start-up costs. We said that if Baltimore was ready to establish a program in a serious way and on a regular basis, we would mail the check that day. (Actually this was our own money.) The food bank director fell silent, and then cleared his throat. "Send the check. We'll start within two weeks."

Baltimore kept its word. Within two years the food bank was handling more than 1 million pounds of fresh produce annually and continues to distribute growing amounts of these foods today. After two years of work we had logged our first adoption.

During the next months we traveled to other cities, and a trickle of organizations launched programs in Dallas, Kansas City, Chicago, and Seattle. Several developed novel methods for soliciting, aggregating, or distributing perishable food. We studied the most interesting variations and published a series of manuals for other cities to consult.

With a growing cadre of adopters, we began to assemble more persuasive presentations at national and regional meetings of food rescue organizations. We stopped lecturing and, instead, organized panels composed of successful produce programs. They provided authenticity, pride, and vivid details we could never have matched. Within three years of starting our efforts we had nurtured 17 new programs.

Of course, problems arose. One program was up and running for a month when a call came in from an outraged food bank director. "I knew this would happen! I've got 5,000 pounds of rotten bananas on my dock. What do I do now?" A few calls revealed that, in fact, the food bank was the fortunate recipient of perfectly edible plantains, a staple in the Latin American diet and much prized by a sizable segment of the food bank's clientele. Another day, a different food bank director had the cook of a battered women's shelter call us to express her dismay. "I picked up 20 pounds of those ugly things that they called kiwi," she said. "I boiled them. ... What do I do next?" These stories reminded us how novel fresh produce was to the world of food banking.

From the Baltimore experience we learned that early funding, even if modest, can tip the balance. In 1994 we met the philanthropist Helene Soref, who offered an extraordinary commitment out of the resources of the Samuel M. and Helene K. Soref Foundation. Whenever FWH had a food rescue organization poised on the brink of launching a pilot produce program, she would write the organization a check within 15 working days on the strength of our recommendation. This timely support, usually $12,000 to $20,000, was critical for nudging produce programs forward while enthusiasm was high. Eventually, 51 organizations benefited from one-time, but timely, Soref grants. These were used to hire an extra driver or a produce solicitor, lease a refrigerated truck, buy refrigerators for agencies, whatever was needed to get the program going. Waiting until the next fiscal year to budget for these expenses would sap a food bank's leadership of enthusiasm for the project.

In 1997, Kraft Foods refocused its charitable giving to combat hunger and malnutrition and invited us to help the firm design what became known as the Community Nutrition Program. Kraft was willing to start a new series of grants to help grow programs that had at least a year of experience under their belts. We both agreed we needed to establish performance metrics. We set indicators such as growth in pounds of nutritious food collected, reduced discard, expansion of agencies that received perishables in addition to the usual inventory of foods, and coherence of operational plans for achieving targets and sustaining the program.

We managed Kraft's grantmaking from 1997 to 2009, when the Community Nutrition Program closed its doors. In that period we recommended nearly 700 awards out of more than 1,100 proposals submitted. Kraft grants, totaling more than $30 million, changed the norms for what food banks should be doing.

Produce programs are now more common than not. They reclaim more than 400 million pounds of fresh fruits and vegetables every year, a 25-fold increase since 1991. In many organizations, produce is now the largest category of food, outdistancing former food bank staples of carbonated beverages, snacks, and baked goods. Increasingly, food banks distribute fresh foods to their most distant agencies, such as remote rural churches, helping democratize access to nutrition.

CUSTOMIZATION, NOT REPLICATION

The most important lesson we have learned after 19 years of work is that it is not possible to simply replicate an innovation from one location to another. Instead, one needs to customize the innovation for each particular site. To replicate is "to produce an identical version, repeatedly." This aspiration has driven commercial franchising, a successful force in business because uniformity yields economies of scale, permits centralized marketing, and boosts profitability. Holiday Inn and McDonald's used replication to muscle aside funky auto courts and burger stands.

Some proponents of social entrepreneurship have embraced replication. Our experience, however, led us increasingly in the direction of customization. Steps required to launch a produce program hinged on a wide variety of local conditions. To truly disseminate the innovation, rather than be frustrated by these variations, we had to embrace them.

Customizing also meant that we had to identify barriers to adoption at potential new sites. We found three mind-sets that discouraged adoption. First, food banks often felt embattled and defensive, believing that the general public was complacent about poverty, did not appreciate the food bank's efforts, and would not provide the extra support needed to recover and distribute fresh produce. Second, they were poorly informed about the food industries on which they depended. They could not envision wholesale firms wanting to hand off perishable but commercially doomed goods early enough for nutritious consumption. Third, food banks routinely believed that most hungry people and the agencies that serve them were hooked on convenience food and would spurn fresh produce.

Once we identified these mind-sets, we could combat them. The food banks became more open to innovation after we were able to help them reposition their mission as soldiers in the war against chronic disease, which would win them more allies. We helped them learn about donors' business models, including crucial junctures in product flow where offloading eventual surpluses to charitable solicitation would turn into financial benefits for the donor. Finally, our site visits brought food bank leadership directly to the front trenches with face-to-face meetings with agency volunteers and food recipients, who, without exception, chorused, "Please, get us more fresh foods."

The process of customization is not easy, but it is essential for an innovation to be adopted in new locales. We drew eight lessons from our experience that can be used by others to spread innovations.

EIGHT LESSONS FOR CUSTOMIZING INNOVATIONS

1. Customizers must become informed about their innovation's operating details and be recognized as people with ground-level knowledge. We had to acquire expertise about the operating details of food banks, the finances of food banks and donors, and the elements of the food chain from field to household. We needed to master arcane facts about temperature controls; specification and capabilities of trucks, forklifts, pallet jacks, and other equipment; charges levied by nearby landfills; and more. Only then could we offer intelligent solutions.

2. Customizers must learn about specific local conditions, welcome diverse scenarios, and develop a flexible repertoire of solutions for local needs and possibilities. Not only did we have to understand general operating details about food banks, we also had to learn the specific situation in each locale. Was there a centralized wholesale produce market in that region? How widely dispersed were recipient agencies? Was there a need for additional cooling capacity at agencies and, if so, what stopgap measures might substitute? In the process of learning the answers to these questions, we actively gathered up variations on how the program might be implemented in different circumstances. We traveled to new cities, picking up ideas that food bankers had invented and sharing them wherever they might apply. We wrote and distributed (free of charge) technical manuals that documented solutions various food banks had invented.

3. Customizers must devote substantial time to their effort, including traveling to sites one by one and inventing ways for successful adopters of a social service to pollinate places that are undecided. Customizers must be patient, but monitor progress regularly. Customizers must accept that change might be measured over years, not weeks or months. We logged tens of thousands of miles visiting food banks. We also funded peer exchanges, sending operational staff from one food bank to visit counterparts in other areas of the country. We organized workshops at national and regional meetings of food banks, where experienced people from effective programs could tutor neophytes. We took savvy and personable food bankers with us when visiting locations that were considering the launch of their own produce programs. We praised incremental progress. Where a food bank failed to show interest, we waited for turnover in top leadership and tried again.

4. Customizers must identify barriers to adoption and sympathize with people's psychological mind-sets that prevent new ideas from taking root. We slowly recognized that food banks felt embattled, had preconceived and incorrect notions about how the produce industry operated, and held certain beliefs about how low-income people would approach fresh produce. Once we identified these mind-sets, we could actively counteract them, finding ways that opened people's minds to new ways of thinking.

5. Customizers need solid evidence about their innovation's worth: the value of the benefits, the singularity of their program for securing those benefits, and the leveraging of human and financial resources necessary to achieve success. When we talked with food banks we emphasized four facts—some of which weren't understood when the food banks started, or even as recently as the 1990s. First, we explained that a sound diet that includes plentiful vegetables and fruits is essential to prevent and manage many chronic diseases. Second, the cost of fresh produce in markets had skyrocketed compared to cost-of-living expenses, whereas snack foods and many beverages had actually become less expensive. Third, stores in low-income neighborhoods offer fewer nutritious foods, and of lower quality and at a higher price, than stores in middle-class neighborhoods. Finally, the majority of Americans who experience food insecurity are reached only by the emergency food network. Armed with these facts, food banks began to reimagine their central mission from hunger relief alone to disease prevention—a cosmic shift.

6. Customizers must find at least one strategically positioned person at each site to serve as their champion. Each adopting site moved forward on the energies of a single individual willing to take personal risks to make a produce program happen. These champions were good at building coalitions and wouldn't quit easily. We maintained continuous contact with each site's champion to help propel the pilot program and solve operational glitches before they escalated into lethal flaws. Here again, organizations varied. Sometimes, a food bank's executive director stepped up to the plate, but we also found allies among subordinate staff members, wholesale donors or their spouses, and philanthropic contributors to the food bank—and elsewhere.

7. Customizers must have timely control of seed money that can help budding programs launch pilot efforts while enthusiasm is high. We learned that channeling small amounts of start-up money is preferable to making large grants. Modest seed money induces the recipient to make its own commitments that will lead to a sustained program.

8. Customizers must cede credit for successes to others and get out of the way as soon as programs are able to sustain themselves. For an innovation to take root, the new site and its leaders must own it. Otherwise, when the customizer leaves, there is no one to keep it alive. Success in disseminating a social innovation rises in direct proportion to the adopters' conviction that they are inventing the new program, instead of mimicking one that others have patented. Customizers must cede much of their authority in order to win eventual victory. We avoided the limelight, declining to attend grand openings, refusing to suggest names for produce programs, and acting bashful whenever someone thanked us for our help. We urged the food banks themselves to make critical decisions. Along the way, we gratefully received two commendations for our work (from the United States secretary of agriculture and the UPS Foundation), but we did not issue press releases trumpeting those developments.

CONCLUSION

The uneven distribution of social benefits may be partly due to inevitable lag times in spreading good ideas. We believe, however, that clumsy or weakhearted attempts at dissemination also have kept best practices from spreading.

The principal at Chicago's Providence-St. Mel said that the school's accomplishments "are not rocket science," but there is indeed a science behind transplanting innovations, one that can be learned partly from successful examples. Such learning will grow more likely where enthusiasts for social benefits recognize that creating social innovations and disseminating them call upon vastly different talents, and where the people who want to launch an innovation in a new location are fully prepared to customize it for the new locale—even, perhaps especially, when that means giving up the glory and the credit to achieve the greater goal.

Customization requires slogging labor and is more nuanced than replication, but it is often the only way that a successful but orphaned innovation can take root elsewhere. For us, putting in that extra effort has made all the difference. ■

Note

1 Throughout this article, we refer to food banks. We recognize that there are many food rescue organizations that do not call themselves food banks and are not affiliated with Feeding America. Some of these groups are gleaning organizations, or prepared-and-perishable food rescue organizations. In our work, we have helped all types of organizations (not just food banks) that collect and distribute fresh food to hungry people.

MICROFINANCE

NEEDS REGULATION

THE VOLATILE COMBINATION OF PROFIT-SEEKING MICROFINANCE COMPANIES, MINIMAL COMPETITION, AND VULNERABLE BORROWERS HAS OPENED UP DANGEROUS POTENTIAL FOR EXPLOITING THE POOR. THE MICROCREDIT INDUSTRY NEEDS TO BE REGULATED—THROUGH POLICIES THAT ADDRESS TRANSPARENCY, HIGH INTEREST RATES, AND ABUSIVE LOAN RECOVERY PRACTICES.

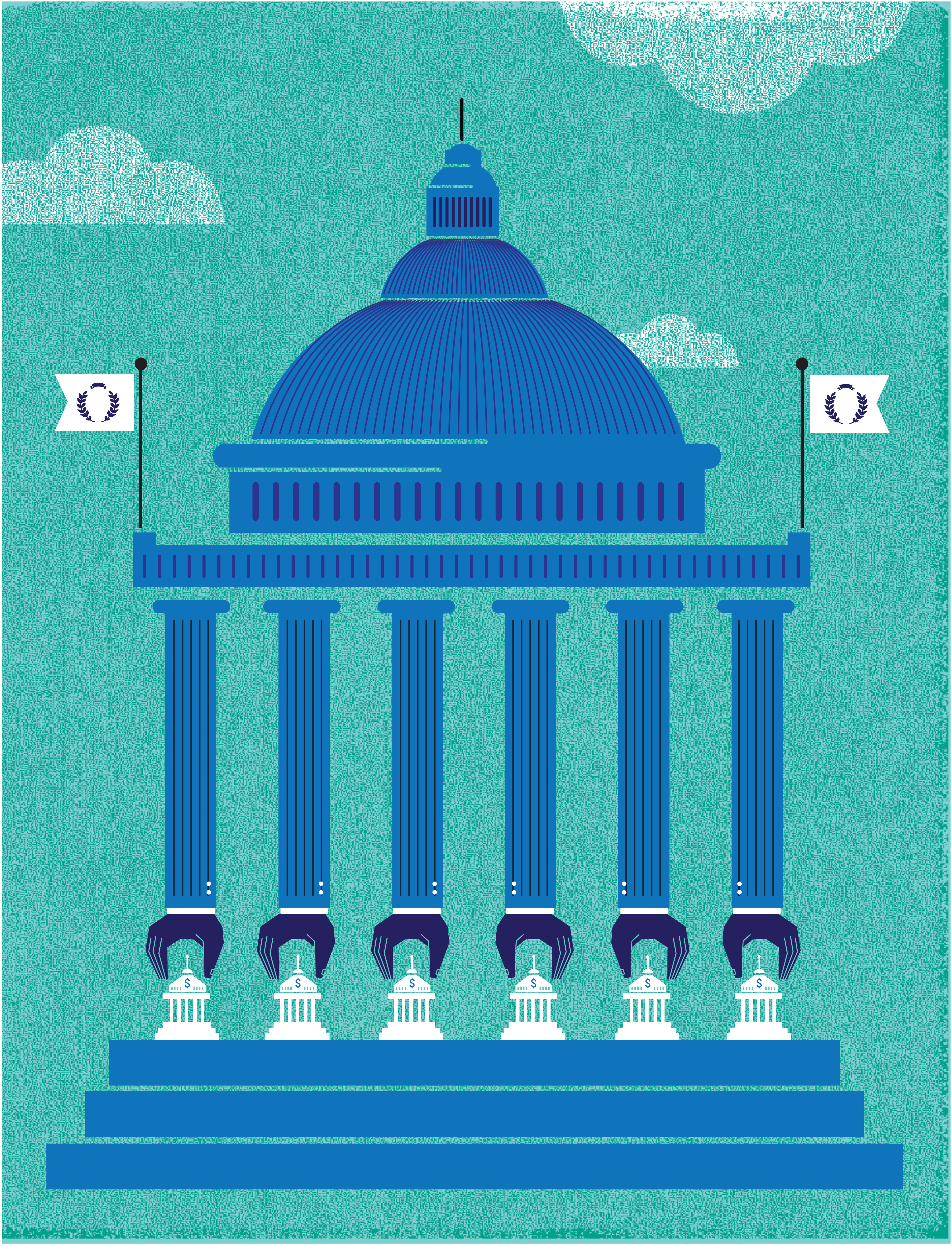
By Aneel Karnani

Illustration by Oliver Munday

Since Muhammad Yunus pioneered the concept of microcredit in 1976 and founded the Grameen Bank in Bangladesh, microcredit has become a major movement. Worldwide, 3,552 microcredit institutions provided loans to 155 million clients, finds the *State of the Microcredit Summit Campaign Report 2009*. Grameen Bank alone disbursed more than $5 billion in microloans over the last 10 years, and it now has 7.7 million borrowers. According to the Grameen Bank website, microcredit is "offered for creating self-employment for income-generating activities and for housing for the poor, as opposed to consumption." The poor are expected to invest the microloans to start up or grow a microbusiness and thus climb out of poverty. Microcredit is the latest silver bullet for alleviating poverty.

In his popular 2005 book *Fortune at the Bottom of the Pyramid*, C.K. Prahalad argued that there is much untapped purchasing power at the bottom of the pyramid (BOP), and that private companies can make significant profits by selling to the poor, while simultaneously bringing them prosperity. Focusing on efficiency and low default rates, Prahalad cites microcredit as a good example of the BOP proposition. And indeed, in the past few years hundreds of for-profit companies have begun financing and marketing loans to the poor in developing countries. But, in an ironic twist, private companies are making a fortune in microcredit by doing exactly what microcredit was designed not to do: exploit the poor. "Now poor people are turning into one of the world's least likely sources of untapped profit, primarily because they will pay interest rates most Americans would consider outrageous, if not usurious," wrote *BusinessWeek* journalists Keith Epstein and Geri Smith in a December 2007 article. MFTransparency, a self-monitoring microfinance industry association, finds that private companies have been attracted to microcredit "by near-monopoly lending environments and misleading pricing systems compounded by borrowers' frequent lack of understanding of the financial details of credit transactions."[1]

Whether fair or not, a few recent high-profile events have galvanized criticism of microfinance institutions (MFIs). When Banco Compartamos in Mexico went public in April 2007, the initial investors' stake of $6 million was valued at $1.5 billion—a return of roughly 100 percent a year compounded over eight years. This profitability is due to the fact that



Compartamos charges interest rates that exceed 100 percent annually on their loans to the poor. Yunus was particularly critical of Compartamos, telling *BusinessWeek*, "Microcredit was created to fight the moneylender, not to become the moneylender."

In the Indian state of Andhra Pradesh more than 200 people committed suicide, allegedly because of intimidation by MFIs. Government authorities closed down 50 branches of two major MFIs in 2006 and charged them with exploiting the poor with usurious interest rates and intimidating the borrowers with forced loan recovery practices. Y.S. Rajasekhara Reddy, chief minister of Andhra Pradesh, was quoted in *The Times of India* as saying, "MFIs were turning out to be worse than moneylenders by charging interest rates in excess of 20 percent."[2] And over the past few years, there has been growing criticism of MFIs by government officials and politicians in Bangladesh, Cambodia, India, Pakistan, and Sri Lanka.

I argued in an earlier article in this magazine that microcredit does not significantly alleviate poverty (see "Microfinance Misses Its Mark" in the summer 2007 issue of the *Stanford Social Innovation Review*). The vast majority of microcredit clients are caught in subsistence activities and compete in overcrowded markets. They usually have no specialized skills, hire no paid staff, own few assets, and operate on too small a scale to achieve efficiencies, and so they do not earn enough to rise out of poverty. In March 2009 the World Bank published *Moving Out of Poverty*, one of the most thorough field studies of the dynamics of poverty based on narratives from 60,000 poor or formerly poor people in 15 countries of Asia, Africa, and Latin America. The study notes an "important insight" that "the tiny loans usually provided under microcredit schemes do not seem to lift large numbers of people out of poverty."

Regardless of this debate, microcredit has grown dramatically in the last 30 years and become increasingly commercialized. The volatile combination of profit-seeking companies, minimal competition, and vulnerable, ill-informed, and ill-educated borrowers has opened up dangerous potential for exploiting the poor. There is a dire and immediate need to regulate microcredit to protect poor borrowers.

DENY THE PROBLEM

One response of the microcredit industry to mounting criticism has been to deny the problem. In a June 2008 open letter to critics, Carlos Danel and Carlos Labarthe, the co-founders of Compartamos, write, "In an open and free market, we are convinced our clients are in the best position to make the right choices for themselves and their families."[3] The first problem with this assumption is that the microcredit organizations do not operate in free and competitive markets. They are actually often quasi-monopolies. The Consultative Group to Assist the Poor (CGAP), a consortium of development agencies and private foundations dedicated to promoting microcredit, states, "In most countries, the microcredit market is still immature, with low penetration of the potential clientele by MFIs and little competition so far."[4] Nimal Fernando, a microfinance specialist working for the Asian Development Bank, concurs: "In many countries in the region [Asia], the majority of microcredit is provided by a few leading institutions, and competition among them is mostly on non-price terms."[5]

Later in their open letter, Danel and Labarthe concede that microcredit is not a competitive market. They justify their bank's high interest rates and high profitability on the grounds that they "wanted to build an industry … to draw in investors and competition." The promise is that "competition will make for more and better products at better prices in the future." This is a rather disingenuous defense of exploiting the poor. Let's follow the argument: Exploitation today will enable future competition that will then reduce exploitation. (So the monopolists exploiting the poor today are doing a service for tomorrow's consumers.) By this logic, we should be grateful to the loan sharks of past centuries for charging usurious interest rates that have attracted microcredit firms to the market.

The second and bigger problem with the free market argument is the assumption that microcredit clients are rational economic actors. Even in a rich country like the United States, there are laws to protect financial services customers. Since the 2008 economic crisis, there has been a strong push by the Obama administration to increase consumer protection with, for example, the Credit Card Accountability Responsibility and Disclosure Act of 2009. The Obama administration in July 2010 created an independent agency, the Consumer Financial Protection Bureau, with broad authority to protect consumers of financial services from abusive, deceptive, and unfair practices. The administration justified regulatory reform on the grounds that "financial products are complex, and it is often difficult for even the most financially astute consumers to recognize the risks financial products can present."[6] If financial literacy is a problem in the United States, it is a much bigger problem for microcredit clients in poor countries. In fact, poor people are often illiterate and innumerate. The adult illiteracy rate in India is 39 percent, and clearly much higher among the poor. This problem is exacerbated for microcredit clients who are overwhelmingly female and have an even higher illiteracy rate.

There are very few empirical studies on financial literacy, especially in developing countries. A survey of clients of two microfinance organizations in India found, not surprisingly, very low levels of financial literacy.[7] The great majority of the respondents could not identify the interest rates on their loans (due in part to a lack of transparency, which I will discuss below). The survey also found that only 17 percent of the respondents were able to solve the arithmetic problem "divide 8,000 by 10," and only 3 percent of respondents could solve the problem "multiply 4,500 by 18." Given such low levels of numeracy, it is difficult to see how microcredit clients can make good financial choices, such as comparing two loans with different terms.

The microcredit industry has tried to downplay the problem of consumer exploitation. In a February 2009 paper CGAP argues, "It is a mistake to assume that Compartamos' interest rates are typical of the industry, or even a substantial part of the industry."[8] But should we wait until exploitation has become pervasive before implementing consumer protection regulation? There are laws against stealing, even though most people are not thieves. In developed countries there are laws regulating loan recovery process, even though abusive practices are not widespread. Moreover, high interest rates are not as rare as

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CGAP implies. By their own analysis, 5 percent of microcredit loans worldwide are at interest rates higher than 50 percent per year; and this does not take into account fees and compulsory savings that significantly increase the effective interest rates. Lack of transparency is almost universal. Chuck Waterfield, microfinance expert and founder of MFTransparency, argues that the true price of microcredit loans has "never been accurately measured nor reported. … This is hard to imagine and even harder to explain." [9] Regulation of the microcredit industry must focus on three issues: lack of transparency, high interest rates, and abusive loan recovery practices.

LACK OF TRANSPARENCY

At a Microcredit Summit Campaign conference in July 2008, MFTransparency was launched as the industry's policeman. Since then, 183 industry leaders have endorsed the organization. On its website, MFTransparency states its reason for forming: "Due to complications of market conditions and lack of regulation, the true price of loan products has never been accurately measured or reported." MFTransparency's phrase "complications of market conditions," however, seems to be a euphemism for market failure.

The effective interest rate that a borrower pays for microcredit is very different from the stated interest rate of the loan. Microcredit organizations routinely hide the actual interest cost by using "creative" practices, such as charging interest on the original value of the loan rather than on the declining balance; up-front fees; collection of a security deposit (deducted from the loan amount); compulsory savings (collected with loan installments); and charging an insurance premium. With such hidden charges it is common for the effective annual interest rate to be more than 100 percent, when the stated interest rate is only 15 percent.

Subrata Mitra, finance professor at the Indian Institute of Management Calcutta, describes a typical Indian MFI loan of 1,000 rupees (Rs) with an annual interest rate of 17.5 percent due in 47 weekly installments. The total repayment would be 1,175 Rs at 25 Rs per week. But there would also be a security deposit of 10 percent of the loan deducted up front and refunded with 5 percent interest at the end of the year, as well as an insurance premium of 2 percent deducted up front. The borrower would also be required to save 10 Rs per week for one year at 5 percent interest rate.[10] With these terms, the effective annualized interest rate is 121 percent compared to the stated interest rate of 17.5 percent. Given the low levels of numeracy and literacy, let alone financial literacy, it is impossible for microcredit clients to compare two loan products with a plethora of confusing terms.

The 2009 book *Portfolios of the Poor* applauds MFIs for charging up-front fees as a good way to reduce risk. In fact, up-front fees and the other complicated terms serve only to reduce the effective amount of the loan and to increase the effective interest rate charged, which increases the MFI's profits but does no good for the poor. It is ironic that the savings feature of microcredit loans is touted as serving the poor's savings needs. The poor clearly need savings facilities, but bundling together savings with microcredit in a non-transparent manner is ineffective and unethical. If the security deposit is increased to 20 percent in the loan example above, the effective interest rate jumps to 194 percent per year.

An essential condition for an open and free market is the ability to compare competing products, which requires pricing transparency. Regulation is needed that mandates microcredit organizations to explicitly state the effective interest rate calculated using a standard and prescribed approach, and to describe all the loan terms simply.

HIGH INTEREST RATES

Criticism of the microcredit industry for charging high interest rates has intensified in recent years, especially with the growth of for-profit MFIs. A paper published by CGAP argues, "It is fair to criticize an MFI's interest rates as unreasonable only if its profits or some controllable element of its costs is unreasonable." [11] This is happening: Interest rates, profits, and controllable costs are unreasonably high for a significant part of the microcredit industry—and the need to regulate an interest rate cap for microcredit is imperative.

Based on data from 555 sustainable MFIs in 2006, the above CGAP paper shows that the median interest rate is 28 percent per year. Even this number is understated because it does not include the impact of compulsory savings, which increases the effective cost of the loan to the borrower. Yunus argued in 2009 that if the microcredit interest rate is more than 15 percent above the cost of funds, then it is "too high. … You are moving into the loan shark zone." Generously allowing 10 percent for cost of funds implies that more than half of MFIs charge interest rates that Yunus would consider too high. In Sub-Saharan Africa and Latin America, 5 percent of MFIs charge interest rates above 70 percent; around the world, 5 percent of MFIs charge interest rates above 50 percent per year. Although Compartamos' interest rates exceeding 100 percent might be exceptional, interest rates exceeding 50 percent are certainly not rare.

Many MFIs are very profitable. In the CGAP study, MFIs earned 2.1 percent return on assets annually, which is well above the 1.4 percent earned by banks in the same countries. MFIs are usually not as highly leveraged as banks, thus lowering their return on equity. In spite of this, 10 percent of worldwide microcredit loans earned return on equity above 35 percent in 2006. These are high profits by any business criteria. The CGAP study concludes that MFI profits are high because "the microcredit market is still immature, with low penetration of the potential clientele by MFIs and little competition so far." Monopoly rents and vulnerable consumers are the cause of high prices and profits in microcredit.

The industry response is that the high interest rates are due not to high profits but to high costs. Because of fixed costs in servicing a loan, it is proportionally more expensive to service a microloan than a larger loan. Moreover, the poor infrastructure in developing countries leads to high costs. But this argument is not consistent with empirical evidence. In a July 2009 analysis of 22 MFIs in Mexico, Waterfield shows a very wide range of loan prices—from 38 percent to 90 percent—within similarly sized loans.[12] Analysis of 48 MFIs in the Philippines and 31 MFIs in Ecuador yields similar results. As Waterfield's analysis holds the loan size and environment constant, the price differential is likely due to local monopoly power, which leads to high profits. Costs measured by operating expenses as a percentage of loan portfolio also vary widely—ranging from 25 percent to 55 percent—for Philippine MFIs with similarly sized loan products. Once again, since this analysis controls for loan size and the environment, the cost differential is likely due to some MFIs having unreasonably high controllable costs. In Bangladesh in 2006, the state-backed wholesale funder of microfinance publicly voiced concerns about poor borrowers having to pay high interest rates because of inefficient MFI operations. In a competitive industry, such wide differentials in costs and prices would not persist, and firms with inefficient operations and high prices would be penalized. This is further evidence that microcredit is a monopolistic industry, and regulated interest rate caps are needed urgently.

Fernando argues that interest rate ceilings will reduce the availability of microcredit.[13] A CGAP paper by Brigit Helms and Xavier Reille concurs that interest rate ceilings "often hurt rather than protect the most vulnerable by shrinking poor people's access to financial services." [14] The flaw in this argument is the assumption that microcredit is a competitive industry. Price controls in a competitive industry will lead to reducing supply; but that is not true in a monopolistic industry. Setting an appropriate interest rate ceiling will actually expand the availability of microcredit, given the monopolistic nature of the industry. This should not be difficult, since the gap between the competitive and monopoly price today is so big.

ABUSIVE LOAN RECOVERY

Microcredit is also coming under increasing criticism for its debt collection practices. Although there is no systematic evidence, there is anecdotal evidence that some MFIs use coercion to enforce loan repayment. In Kalihati, one of the first Bangladeshi villages to benefit from Grameen's low-interest credit scheme, the villagers who have taken out a loan are unable to reimburse their credit and claim to be harassed by Grameen Bank representatives. Korshed Alom, a former debt collector, was put into early retirement for questioning Grameen's methods. "Their technique is to scare borrowers and insult them," he told France 24 in a June 4, 2008, report on microfinance. "We tell them to sell their clothes, that they have no other choice. I'm not proud of myself, but several times I had even been obliged to say, 'Sell your children.'" [15]

Some MFIs in Andhra Pradesh were charged with intimidating borrowers with forced loan recovery practices. According to a Jan. 8, 2008, *Wall Street Journal* article, one delinquent borrower was violently beaten by a thug working for a collection agency that was hired by ICICI Bank. The Delhi Consumer Commission fined ICICI for what the judge called "the grossest kind of deficiency in service and unfair trade practice." In Mexico, clients of Azteca who slipped behind on repayment received frequent visits from motorcycle-riding collection agents, according to a Dec. 13, 2007, *BusinessWeek* article. Much microcredit relies on group liability. Sometimes the coercive practices are undertaken not by the MFI but by the group members.

Exploitation can occur even without an MFI using coercive loan recovery practices. All that is needed is for the borrower to believe coercion will be used. A survey of clients of two microfinance organizations in India finds that 53 percent of respondents believed "it is all right" for an MFI to confiscate assets such as cows, house, land, and machinery if the borrower is unable to repay the loan.[16] This is particularly disturbing because the crux of microfinance is uncollateralized lending. The survey results do not imply that assets are in fact confiscated by the MFI in the event of default, but the perceived threat of confiscation (or any other threat) is in itself intimidating and abusive.

ALTERNATIVES TO REGULATION: TOO LITTLE, TOO LATE

The potential for consumer exploitation in the case of microcredit is a direct result of market failure. This failure is due to two underlying causes: first, too little competition; many MFIs exercise significant market power that results in very high interest rates. Second, the consumers of microcredit are ill informed, which allows MFIs to be non-transparent in loan terms and engage in abusive recovery practices. When the profit-maximizing behavior of firms in a free market results in negative consequences to public welfare, constraints need to be imposed. Constraints can be achieved through four approaches: corporate social responsibility, self-regulation by the industry, activism by civil society, and government regulation.

Many MFI proponents do acknowledge the problems of consumer exploitation but do not like the solution of regulation. They plead with microcredit organizations to act more ethically, or argue that the industry should regulate itself. These responses are at best naively optimistic and will not work.

Commercial organizations given opportunities for increasing profits usually act in their self-interest. In a Jan. 20, 2005, survey on corporate social responsibility (CSR), *The Economist* magazine concluded that for most public companies, "CSR is little more than a cosmetic treatment." Appeals for self-restraint on the grounds of ethics and values have not been effective in the business world, and there is no reason to believe commercial microcredit organizations will be any different.

An appeal on ethical grounds is complicated by the fact that industry participants do not agree on a common set of values. A group of leaders in microfinance signed the Pocantico Declaration in April 2008 in an attempt to develop common ground and a set of principles. Unfortunately, the declaration is full of vague statements and platitudes, and no consensus on specific issues. In fact, it indicates explicit dissent when it states, "We also recognize that we hold diverse views about the appropriate levels and usage of profit." [17]

There has been much discussion about the microcredit industry regulating itself. Alex Counts, CEO of Grameen Foundation, proposes a third-party certification scheme in his summer 2008 *Stanford Social Innovation Review* article, "Reimagining Microfinance." The major drawback is that there is no authority to ensure compliance. Since 1993, 33 microfinance organizations have joined the MicroFinance Network and signed a Pro-Consumer Pledge that states "members will price their services at fair rates. Their rates will not provide excessive profits, but will be sufficient to ensure that the businesses can survive and grow to reach more people." All that needs to be said is that Compartamos is one of the members of this network.

On a larger scale, the American experiment with deregulation of the financial services industry has been a failure, and the United States is now on a path toward greater government regulation. There is little reason to believe that the microcredit industry in developing countries will succeed in self-regulating while facing much less competition, less scrutiny, and more vulnerable consumers. In 2005, South Africa switched from relying on the Micro Finance Regulatory Council, which used a self-regulatory approach, to establishing the National Credit Regulator, which is a classic public sector regulator.

Another potential source of constraints is citizen activism. In developed countries, citizen activism has succeeded even when there are no governmental regulations. Witness the recent pressure on McDonald's to introduce healthier menu options. But activism is inadequate in most developing countries, because so many citizens lack the resources, awareness, and traditions necessary for such empowerment. There are few activist movements exerting pressure on MFIs to reduce or prevent exploitation of microcredit consumers. One is the popular debtors' rebellion in Nicaragua—the "No Pago" (I Won't Pay) movement—that has spurred mass demonstrations protesting high interest rates and demanding a legal ceiling on them.

It is doubtful that CSR is an effective constraint on firm behavior even in developed countries, let alone in less developed countries. Institutional maturity and public support are needed for effective action by civil society and for self-regulation by industry. As countries develop economically, politically, and socially, these mechanisms for constraining markets will improve. But we should not tolerate exploitation of the poor today while we wait—probably a long time—for such changes to occur. For now, government regulation is the best way to protect microcredit clients.

THE PATH TO REGULATION

The best place to start the regulation of the microcredit industry is to require transparency on loan terms. The U.S. Truth in Lending Act of 1968 requires all financial firms to disclose the annual percentage rate (APR), using a standardized formula that takes into account the various loan terms and fees. The European Union and the United Kingdom have similar regulation, although they use a different formula. The key is to mandate a standard formula that facilitates comparisons across loan providers. Implementing transparency regulation for microcredit should be fairly easy, since such regulation does not require many government resources and is unlikely to be controversial.

Developed countries have laws regulating recovery of personal loans. In the United States, the Fair Debt Collection Practices Act of 1978 prohibits debt collectors from using abusive, unfair, or deceptive practices to collect personal debts. Collectors are even prohibited from repeatedly telephoning debtors. Enforcing such laws, if they existed in developing countries, might be difficult, especially in rural areas. But difficulty is not a good reason to avoid implementation. Governments should regulate microcredit loan recovery practices and attempt to enforce the regulation. In addition, governments and civil society organizations should better educate microcredit borrowers about their rights. This is clearly an uphill battle—all the more reason to get started soon.

Today, 40 developing countries impose ceilings on interest rates. Many developing countries liberalized interest rates and removed limits during the 1980s as part of financial sector reform. This was appropriate, since there was enough competition among financial service firms catering to middle-class and affluent people in developing countries. But the same is not true for microcredit targeted at the poor. As Yunus pointed out in 2007, "The existing regulations are designed with commercial banking in mind, but microfinance requires a dedicated regulator and a relevant set of rules." [18] In Bangladesh in 2004, when there were no laws limiting interest rates, the state-backed wholesale funder of microfinance capped the on-lending rate of all its clients at 24 percent annual effective rate. More recently in 2009, the Microcredit Regulatory Agency in Bangladesh announced that MFIs must limit the interest rate to 30 percent. A 2004 presidential decree in Bolivia also imposed interest rate ceilings on small loans. Each country's government needs to determine the appropriate interest rate ceiling for microcredit, so that it is high enough to cover operating costs and reasonable profits and not so low as to stifle the development of the industry—nor so high as to be exploitative of the poor.

Although I believe governments should be the primary force in regulating microcredit, there still is a role for other organizations to constrain the behavior of MFIs. Industry self-regulation can be a useful supplement to legal regulation. International donor organizations, such as the World Bank and U.S. Agency for International Development, can put pressure on their MFI clients to reduce or prevent exploitation of the poor and to help governments draft appropriate regulations and transfer knowledge of best practices. Large commercial banks that are wholesale lenders to MFIs should exercise their social responsibility and press their MFI clients to behave responsibly. And civil society organizations can play a large role in shining the light on MFIs that behave inappropriately and in educating poor borrowers about their rights. But none of these approaches can be sufficiently effective without government regulation. ■

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What Works P. 59
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By Suzie Boss

EDUCATION

Curling Up with E-Readers

Efforts to improve global literacy typically focus on getting books into the hands of children. Could electronic reading devices leapfrog old-fashioned paper books and catalyze a new culture of reading in places like sub-Saharan Africa? That's the idea behind Worldreader.org, a start-up nonprofit with world-changing aspirations.

Dispensing Kindles and other e-readers in the developing world may seem like a fancy solution to a low-tech problem. But Worldreader founder David Risher, a former Amazon executive, says the big goal is to drive down "the cost per book *read* to the absolute lowest it can be." Reading selections in many village schools are too limited and, he adds, often too Western to engage young readers. If donated books gather dust in the back of classrooms, they do little to engender a love of reading.

"Lack of access to books has been solved by e-books," says Risher, noting that thousands of titles are available as digital books. "But there's no market-driven plan to get e-readers to the developing world." Worldreader, strong on corporate experience, intends to "prime the market pump," he says, "and put thousands of books into millions of kids' hands."

The infrastructure for supporting e-readers already exists in much of the developing world, thanks to a network for connecting and charging mobile phones in even the most remote regions. E-readers use the same network to download books. During Worldreader's trial in a village school in Ghana, students used an existing solar charging station to power up their Kindles, which were donated by Amazon. Their comfort with mobile phones and texting meant students had little trouble using e-reader features such as an online dictionary or text-to-speech capability. Because the devices include a built-in light source, students were able to introduce family members to a new activity: reading at home after dark.

Jonathan Wareham, professor and director of research at ESADE in Barcelona, Spain, has been studying Worldreader's early efforts. The low cost of distributing digital books offers great potential to improve literacy, he says, but the idea is not without challenges. Technical issues will be the easiest to solve, he predicts. "Getting the supporting ecosystem around the device itself is where the work is."

To gain traction, Worldreader needs to create "a system of content, distribution, pedagogy, administrative, cultural, and political support. These challenges are nothing less than massive," Wareham admits. "You go in expecting to address literacy, and you end up trying to rewrite cultural rules."

Teachers may find e-readers easier to adopt than classroom computers because they don't call for a wholesale change of teaching methods. "Teachers already know how to use books," Risher says. Compared with technology initiatives like One Laptop per Child, Worldreader "is trying to solve a narrower problem," he adds.

Nor is Worldreader interested in pursuing a brick-and-mortar solution. Risher applauds global school-building initiatives like Room to Read, but says his organization is focusing on "the other side of the same coin. When people come together to learn, they still need access to books—as many as possible."

Ideally, those books will include culturally relevant titles by local authors. Worldreader is encouraging local publishers to digitize their book lists, which can then be sold online internationally. "We want to make sure they understand this is an economic opportunity for them," Risher says, emphasizing that digital book sales is not a business Worldreader wants to get into. "We want to be the catalyst to help make it happen."

Students with their Kindle e-readers, provided by Worldreader.org, outside a school in the village of Ayenyah, Ghana.

PHOTOGRAPH COURTESY OF WORLDREADER

Worldreader's start-up costs have come largely from Risher and his co-founders, along with in-kind donations from Amazon and other businesses. Fundraising will be required to grow the lean organization, which currently operates from Seattle and Barcelona. There are plenty of unknowns, Risher admits. "We don't know the cost of e-readers in five years. We don't know the scale we will get to. We do know that Moore's Law is on our side. The cost continues going down."

Worldreader expects to learn more from its next round of testing in Ghana. Will children read more if their reading choices are virtually unlimited? Will the novelty wear off once students get used to e-readers? From firsthand observation, Risher is encouraged. In a village in Ghana, he says, "I'd watch kids read one book, finish, then ask if they could download another. That's magical." ■

URBAN DEVELOPMENT

Here Comes the Neighborhood

▶ Cleveland's Greater University Circle, home to three major Ohio institutions, employs some 50,000 people in health care and academia. It's an economic engine for the region—with one major omission. Most of the 43,000 people who live in adjacent neighborhoods are mired in poverty, with household income averaging $18,500.

Ohio Cooperative Solar workers install solar panels atop a building on the campus of the Cleveland Clinic.

Evergreen Cooperatives of Cleveland aims to change this picture by developing a network of worker-owned small businesses for Greater University Circle. From doing laundry to growing produce, each business will focus on meeting a supply chain need for community anchor institutions, and doing it in an environmentally responsible way. For workers who face employment challenges ranging from lack of education to criminal records, there's an additional draw: the chance to own a piece of the action.

"We want to put people to work and build wealth," explains Ted Howard, executive director of the Democracy Collaborative at the University of Maryland and a leader of the Cleveland project. "And we want to do it in a way that doesn't get up and leave. With owner cooperatives," he adds, "the capital stays rooted in neighborhoods where people live."

Planning for the initiative began five years ago when the Cleveland Foundation convened a conversation with leaders of three institutional anchors: Case Western Reserve University, the Cleveland Clinic, and University Hospitals. "We recognized a huge opportunity to harness the purchasing power of the anchors," says Lillian Kuri of the Cleveland Foundation, "and revitalize these neighborhoods after years of disinvestment."

Next came roundtable discussions and interviews with more than 100 stakeholders from across the city. "We didn't come in saying we have to focus on procurement or that we need to develop green worker cooperatives. All of that emerged," Howard says, along with a business planning process to identify local opportunities.

Start-up capital was another piece of the puzzle. The Cleveland Foundation seeded the Evergreen Cooperative Development Fund with $3 million. Each of the three anchors added another $250,000. That leveraged additional funding, such as $1.5 million in HUD loans from the city of Cleveland. In October 2009, the first two businesses emerged.

Evergreen Cooperative Laundry bases its business plan on the mountains of hospital linens generated in the community. The laundry trains workers to use the greenest equipment in the industry, saving energy and generating social capital with each load. At capacity, the laundry will employ 50 workers who will process some 12 million pounds of linens annually.

Ohio Cooperative Solar installs solar panels and weatherizes buildings. It was in the black within six months of launching and had a staff of 23 by its one-year anniversary, with plans to grow to 75. After six months on the job, workers have the opportunity to be voted into ownership. An ownership share costs $3,000, regardless of job title, and is paid for through payroll deductions. "That money is yours to take with you if you leave," Howard explains, along with a share of profits.

Worker-owners are responsible for selecting their board of directors and deciding how to allocate profits. Training in business management comes with the job, whether you're an insulation installer or an entry-level laundry worker.

Stephen Kiel, president of Ohio Cooperative Solar, says making the model work requires a collegial management style. "It's more like coaching," he says. Day-to-day challenges are plentiful, Kiel admits, including "lifestyle issues" such as problems with housing, transportation, or probation. In return for investment in staff development, he says, "what you get are people who have bought into the success of the operation. You get a better product and people who are ready to innovate."

That's what has occured in Mondragon, Spain, where a network of 120 worker cooperatives has been in development for half a century and now generates $20 billion in annual sales. Cleveland has looked to Mondragon for inspiration. "If we can develop a robust network of many businesses working together under the Evergreen brand," Howard predicts, "we'll be able to eventually employ several thousand worker-owners here in Cleveland." ■

HUMAN RIGHTS

Stopping Child Porn

▶ Not so long ago, those who trafficked in pornographic images of children kept to the shadows, operating their nefarious business far from mainstream channels. Then along came the Internet. The advent of instant publishing and file sharing has opened a global e-marketplace for child porn, with law enforcement lagging far behind tech-savvy traffickers.

Hany Farid, a computer scientist from Dartmouth College, was appalled to learn that not only is this illicit business booming, "but the children are getting younger and the images more violent. This is a problem that technology has gotten us into," Farid mused. "Let's see if we can use technology to help get ourselves out of it."

Farid collaborated with researchers from Microsoft to develop a new tool intended to disrupt online trafficking in child porn. The core technology is called PhotoDNA. It extracts a unique signature from any digital photo using a process called "robust hashing." This numeric

PHOTOGRAPH BY JANET CENTURY

signature, which Farid likens to human DNA, does not change even if a photograph is resized or edited. The signature can be used to identify matches across very large data sets.

The process is automated, meaning no human has to review potentially offensive images. It's also lightning fast—five milliseconds to extract a signature—and has proven highly reliable in massive testing. For law enforcement and online service providers on guard against child porn, Farid adds, "this means being able to find the proverbial needle in the haystack."

Microsoft has donated PhotoDNA to the National Center for Missing & Exploited Children (NCMEC), including the right to sublicense the technology to online service providers. In recent years, the nonprofit NCMEC has worked closely with law enforcement to identify nearly 30 million photos of child porn. With the use of PhotoDNA, those images can be used to generate a vast data set of digital signatures to detect known photographs of child pornography.

If online service providers detect any of these images, they can report them to the NCMEC. The long-term goal, according to Sue Hotelling of Microsoft's Digital Crimes Unit, is to "help stop the distribution of these illegal and horrific images and help stop revictimization of children whose images may otherwise be viewed again and again online."

Pulling down those images won't keep new child porn from being uploaded, but it may help to reduce the problem. "People who traffic in child porn seem to pass around the same images, person to person," Farid says. Getting known images offline "is a little more tractable" than cleansing the entire Internet of child pornography, he says.

Because PhotoDNA is a generic tool, it could be applied to any type of image. "It may have other applications down the road," Hotelling says. "We are exploring other ways to put it to use, including incorporating the technology into tools to help law enforcement in their child protection investigations," she adds.

Implementation of the tool is still in the early stages, with Microsoft starting to search public sources for some of the worst known instances of child porn. The goal, Farid says, is to have it implemented "at all the Internet service providers around the world. We're still working on that." ■

EDUCATION

Mentoring India's Youth

▶ Earning a spot in one of India's elite universities is no easy feat. The grueling entrance exam weeds out all but 2 percent of those vying for an education at one of the campuses of the Indian Institute of Technology (IIT). There's no consideration for extracurricular activities or personal obstacles overcome. "It's one test on one day. Every child gets a national rank. On the basis of that, you get in or you don't," says Akshay Saxena, who graduated from IIT Bombay with a degree in chemical engineering. "The system is quite brutal."

Avanti Fellows is a new program designed by Saxena and fellow IIT alumni to make the system a little kinder for talented but underprivileged students. The idea is to provide academically promising youth with mentoring, academic coaching, and financial aid during their high school and undergraduate years. Avanti Fellows started with a chapter at IIT Bombay and is on track to reach 100 youths on three IIT campuses by the end of 2010. Eventually, the goal is to have self-supporting chapters at all 16 IIT campuses.

Avanti Fellows' model appeals to IIT graduates, according to Ashok Kalbag of PanIIT Alumni, as a way "to give back to their alma mater and the nation. By identifying children from lower strata of society who cannot afford coaching for admission to IITs, Avanti Fellows provides opportunities that were otherwise out of reach. Student mentors provide the much needed handholding for these students, who find the cultural and academic situations challenging, once admitted to IITs."

During his own undergraduate years, Saxena says he got to know classmates from slums and villages who had managed to gain admission without benefit of private tutoring and other support that he and most of his peers enjoyed. "You realize these kids are way smarter, much more gifted than you are," he adds. "The fact that they're there, despite their background, says a lot."

But even getting into college is no assurance of a level playing field. Students from poor backgrounds may excel at academics but struggle with "things you can't find in a book," Saxena says. "Being successful also has to do with your aspirations, how you deal with pressure, whether you're able to take risks or do well in interviews." He watched talented but poor classmates "lose their confidence, their raw enthusiasm, when confronted with unfamiliar social situations."

While still undergraduates, Saxena and a group of classmates started a peer mentoring program. They recruited seniors to mentor freshmen and smooth their transition into college. At the same time, they began pondering how to reach out to younger students.

"All these issues are more stark when you look at high school kids," Saxena says. Children growing up in the Mumbai slum of Dharavi may be living in one-room shacks with no electric lighting. "Yet some of them manage to score in the top 5 percent in their high school exams. What would it take for them to go from being a smart high school student to going to the best colleges in the country?"

Saxena found himself returning to that question while a graduate student at Harvard Business School. He was also drawn to the idea of social enterprise—something that he says is "almost unknown in India."

Avanti Fellows got a boost in May, when it won the BASES Social E-Challenge competition sponsored by the Business Association of Stanford Entrepreneurial Students. Judges helped Avanti Fellows hone its plan, and the $25,000 prize enabled it to hire its first full-time employee, CEO Krishna Ramkumar, who works in India.

The prize brought media attention in India, where the IIT alumni network has endorsed Avanti Fellows. The organization also was selected by Dasra, an Indian nonprofit that mentors start-up social enterprises, to join a cohort poised for growth. "Avanti is a highly credible and talented team," says Alison Adnitt of Dasra. "They have all the ingredients: focus, realistic ambitions, an excellent model, a viable partnership approach, and an extremely cost-effective program."

Once Avanti Fellows reaches scale, its alumni could become an influential voice in education. "I hope we end up with a powerful group of advocates," Saxena says, "with some good stories to tell." ■

Integrating Youth Services

Governmental agencies in Oakland, Calif., are collaborating to serve children better

BY SAM SCOTT

Al and Marshae Rivera keep their home stocked with candy—all the better to stop their kids from venturing out to buy some themselves. No one knows better than they do that in East Oakland, Calif., even short trips can turn violent. Their seventh-grade son was playing football outside this spring when drive-by gunfire ripped through the game from two directions, injuring several people.

For the 12-year-old, it was the latest in a series of traumas he's experienced growing up on some of the San Francisco Bay Area's meanest streets. As a child, he learned from a passerby that his uncle had just been killed in a triple murder. He's seen a dead body on the sidewalk. And two days before bullets went flying into his football game, a family friend was shot riding the bus.

Oakland, Calif., middle school students start summer class with a "Harambee!" a 30-minute celebratory activity.

His parents do what they can to keep him safe. They recently moved out of the public housing projects. They bar him from hanging out with kids showing signs of gang affiliation. And each summer, they send him to his grandmother's in Arizona, far away—they hope—from the dangers of so much idle time. But they're waging a war on multiple fronts. The Riveras not only are trying to keep their son safe from gang shootings, they're also trying to keep him away from gang membership in an area where joining is often more the rule than the exception. So when the couple learned that their son's school was offering a Saturday class that took the gang issue by the horns, they enrolled him. The History of Gangs engaged young Rivera in discussions about the socioeconomic realities of crime. And crucially for the Riveras, the class took their son on nearly a dozen field trips to San Quentin State Prison, to hear from inmates who learned their lessons too late. The couple can't speak highly enough of Art Mola, the class's leader. "Art is able to see things here that we can't see at home," Al Rivera says.

The gang class is not on standard school curricula. It's the result of the Safe Passages/Youth Ventures Joint Powers Authority, an innovative collaboration founded in 2006 to focus youth agencies from Alameda County, the city of Oakland, and the Oakland Unified School District behind a common cause—changing the way public systems work for children in areas blighted by violence and poverty.

Historically, the joint powers authority model that Safe Passages/Youth Ventures follows has been used to manage complex transportation and infrastructure projects involving multiple government agencies. But Safe Passages' CEO, Josefina Alvarado-Mena, an attorney and a veteran of the Oakland public schools, believed it could be just as effective to deliver social services, since the issues facing low-income youth in a city like Oakland are just as complex and involve just as many governmental agencies.

Resources Meeting Needs

In the early 1990s, the prevailing approach to interagency cooperation in Alameda County was to convene a big meeting where participants took turns saying what they were doing to address youth concerns, recalls David Kears, Safe Passages' chairman and the county's former health care services director. Then they'd adjourn with a promise to have another big meeting. The shortcomings of the approach were obvious. Youth service professionals were fighting problems that extended beyond the boundaries of any one agency, but they paid only lip service to the idea of tackling them together. One agency might ask what they could do for another, Kears says. They rarely asked what they could do *with* them.

The impetus for change was boosted in 1996 by a 10-year, $10 million grant from the Robert Wood Johnson Foundation, which chose Oakland, the seat of Alameda County, as one of five U.S. cities to take part in an initiative to improve health and safety for young people through smarter planning and cooperation. At first, the Oakland schools, Alameda County, and city government proposed

Sam Scott is a journalist based in San Francisco. He wrote about Mission Pie bakery for the summer 2010 issue of *Stanford Social Innovation Review.*

PHOTOGRAPH BY ROY MANZANARES

to create family resource centers, Kears said. But the grant providers said the plan lacked scalability and sustainability.

With new urgency, the collaborators intensified their search for meaningful ways to work together—an effort that ultimately produced Safe Passages as a research and development hub focused on using existing infrastructure like schools to facilitate change. Safe Passages developed a multilayered strategy to focus various agencies on helping kids in early childhood centers, middle school, and the juvenile justice system.

COLLABORATE TO IMPROVE SERVICES

Enable professionals serving the same clients to share information

Recognize the potential of unorthodox organizational models

Share financial resources to broaden the impact of programs

The overarching idea was to bring together representatives from youth agencies so each could see what the other was doing. In middle schools, for example, site coordinators hired by the schools led team discussions on individual students with teachers, social workers, and, if necessary, off-site professionals like probation officers. "By bringing those people together in a focused effort on a particular child, there's a much better chance that you integrate services," says Alvarado-Mena. "You don't have the probation officer making the same call as the school person."

The collaboration directed resources to where they were most needed. Before Safe Passages, students who consistently misbehaved were often sent to special education classes, when what they often needed was mental health counseling. It was a classic example of institutional silos. The schools had troubled kids, but not adequate mental health resources. The county had access to mental health care money—in the form of state Medi-Cal funds—but lacked consistent access to many of the kids. Resources were essentially missing needs.

Through Safe Passages, the schools and county began to collaborate. In 2000, using Medi-Cal's Early and Periodic Screening Diagnostic and Treatment program, full-time health workers were placed in the poorest schools. These counselors now see students with minimal disruption to students' school days, and they are available to students seeking help themselves.

"It's probably the best thing we ever did as a county," Kears says. "I don't think that previous to this initiative we ever went to a school and asked how we can be helpful."

At the same time, Safe Passages helped extend mental health care into the foster system, early childhood centers, and juvenile detention facilities. Results were immediate. Between 1998 and 2005, there was a 72 percent drop in suspensions in participating Oakland middle schools, and in 2004 there was a 45 percent drop in criminal recidivism rates among youth who participated in the organization's program for a year.

In 2004, as Safe Passages' ideas were starting to show success, its leaders began to look for a way to secure the partnership once the decade-long Robert Wood Johnson Foundation grant ran out. Alvarado-Mena championed the joint powers agreement model, which had been used locally by the Chabot Space & Science Center, an educational partnership formed in 1989 between the city of Oakland, the East Bay Regional Park District, and Oakland schools.

In 2006, the Safe Passages partnership was reborn as two organizations working in tandem—Youth Ventures Joint Powers Authority, an intergovernmental agency, and Safe Passages, its nonprofit arm—with Alvarado-Mena as CEO/executive director of both. Creating twin bodies gave the organization the desired institutional stability, while retaining the flexibility to pursue different funding opportunities. The model was also adaptable enough to allow change. In 2007, the San Lorenzo Unified School District, which serves unincorporated areas of Alameda County, joined Youth Ventures as its fourth member.

A BIGGER BUDGET

Safe Passages/Youth Ventures currently operates as a think tank, developing and measuring new strategies that are largely carried out through its four partners, which in turn contract with more than 60 public and private entities. In fiscal year 2008–09, Safe Passages/Youth Ventures received $475,000 in direct funding from partner dues and more than $3.7 million in philanthropic donations. But its program benefited from a much larger sum of money. Acting on ideas generated from Safe Passages/Youth Ventures, the Oakland school system targeted more than $6 million to build school clinics; the county directed $1.3 million to mental health care in schools; and the city of Oakland earmarked more than $500,000 toward programs like violence prevention curricula and funding case managers at schools. All told, Safe Passages/Youth Venture's programs were funded to the tune of $16.8 million.

Youth agency leaders in San Francisco, Baltimore, and other cities have expressed interest in replicating parts of the Safe Passages/Youth Ventures approach. In 2009, Alvarado-Mena became one of six winners of the James Irvine Foundation's Leadership Awards, receiving $125,000 for her cause.

The impact of Safe Passages/Youth Ventures is only starting to be felt in Oakland. In 2007, the Atlantic Philanthropies awarded the partnership a four-year, $15 million grant to implement Atlantic's Elev8 Initiative, a national program to bring together schools, families, and community in underserved neighborhoods. The initiative received $25 million in matching local funds.

The schools have a long way to go. Coliseum College Prep Academy in Oakland, which Rivera attends, badly trailed the district average in English and math proficiency in 2008–09 state assessments. But the school—where 90 percent of students are on free or reduced price lunches and where four lockdowns occurred in January alone—has a lot on its plate. Safe Passages is helping. "It's providing the resources to stabilize kids' lives—to get them in a place physically and emotionally to do rigorous academic work," says Principal Aaron Townsend.

The victories are apparent in ways that are hard to measure. After the Riveras' son was nearly shot playing football, there was only one person he wanted to talk to—Mola, the History of Gangs teacher and the school's Elev8 coordinator. For the Riveras, he's the key to their boy's success. "What he's doing here at the school with the kids is real good," Al Rivera says. "Real good." ■

Employment Power

How a private-public-academic partnership is helping people with serious mental illnesses find and keep jobs BY LAURA GEHL

"WORK CAN BE A VERY powerful antidepressant," says Rick Martinez, medical director of corporate contributions for Johnson & Johnson in New Brunswick, N.J. "It gives a huge lift to self-esteem."

Though Martinez's words may ring true for many people, he is talking specifically about people with serious mental illnesses. Studies from the New Hampshire-Dartmouth Psychiatric Research Center (PRC) suggest that although the majority of people with serious mental illness want to work, only a fraction of them are employed. "Their goals are no different from someone without a psychiatric disability," says Larry Abramson, director of vocational rehabilitation at St. Luke's House in North Bethesda, Md. But his clients—adults with serious mental illness such as schizophrenia or bipolar disorder—"need some supports," he says.

Enter the Johnson & Johnson-Dartmouth Community Mental Health Program. Since 2001, Johnson & Johnson executives have worked with researchers from Dartmouth Medical School to offer a type of employment service called individual placement and support (IPS). IPS is an evidence-based approach to helping people with mental illness find and retain good jobs. As part of the Johnson & Johnson program, a participating site—typically a community mental health clinic—will assign clients an integrated mental health treatment team. The team may include a psychiatrist, psychiatric nurse, and case manager as well as an employment specialist from the site, trained by Dartmouth, and a state vocational rehabilitation counselor.

The team helps to identify a job that meets a client's needs, strengths, and job preferences. As a result, two to three times more people with mental illnesses find and maintain employment through IPS than through other employment services, says Deborah Becker, an assistant professor of community and family medicine at Dartmouth Medical School.

With Robert Drake, director of the PRC, Becker first described and defined IPS in the early 1990s. Two of the service's big ideas have been to bundle proven practices that help mentally ill clients find jobs and to guide clients to competitive jobs that pay at least minimum wage, rather than to ones designed for people with mental illness. This integration approach, program leaders say, has helped clients avoid boredom, isolation, low self-esteem, and discrimination. Unlike other programs of its kind, IPS does not require clients to complete drawn-out vocational training before they can apply for a job.

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The PRC requires that clients receive mental health services as part of the IPS model. Once clients are on the job, employment specialists and psychiatrists—with the client's approval—work together to discuss symptoms, medications, and accommodations that will help clients succeed at work. Meanwhile, employers are reassured to know that clients will continue to receive support from both employment specialists and mental health professionals.

"People who are symptomatic can still be good workers," says Howard Goldman, a professor of psychiatry at the University of Maryland School of Medicine and a member of the Johnson & Johnson-Dartmouth advisory board. "You don't have to be 100 percent well to be 100 percent employed." Something as simple as, say, wearing a headset to drown out auditory hallucinations can help a client work effectively.

A PRACTICAL PARTNERSHIP

In the late 1990s, senior management at Johnson & Johnson began exploring how the company might do something in the area of mental health, says Martinez. Although Johnson & Johnson owns a company that does mental health research, it "had never given money away in the area," says Becker. The National Alliance on Mental

IPS client Sally went from landing a job as a dog groomer to running her own dog grooming business.

PHOTOGRAPH BY JEFF EDWARDS

Illness and the National Institute of Mental Health steered Johnson & Johnson toward employment programs, eventually leading the company to the Dartmouth Supported Employment Center (DSEC), part of the PRC. After visiting the center, reviewing studies, and talking with the Dartmouth researchers, Johnson & Johnson signed on to fund a pilot program in which the PRC would help states implement the IPS model.

EMPLOY EVIDENCE

Review experimental data to see what works

Partner closely with local providers

Monitor and reward fidelity to the model

"We function as a donor, so finding a partner that knows its subject matter was our first step," says Martinez. The published evidence affirming IPS's effectiveness "signaled to us that here was an idea that was successful and accepted by peers."

The pilot program began in 2001 with one site in each of three states: Connecticut, South Carolina, and Vermont. Nine years later, the program has expanded to 12 states and a total of 115 sites. Although not every site is a mental health center, all must connect clients to mental health services as part of the IPS model. Without effective IPS services, "only about 10 percent of people with serious mental illness are able to work in competitive jobs," says Martinez. "We were able to convert that into 40 percent to 50 percent at some sites."

Before a state begins the program, Dartmouth gives the state's mental health authority and department of vocational rehabilitation an application, which the two agencies must complete together. "We learned that we need to talk with the state leadership team right from the beginning and have clear expectations," says Becker. To participate in the program, the state needs to demonstrate interest, commitment, and a willingness to work with Dartmouth to develop state-level funding and support for the IPS model.

Once a state joins the program, Dartmouth provides training and technical assistance to state-level trainers, who then train workers at the local sites. Each site wishing to be part of the program must agree to use IPS's evidence-based practices, such as placing clients in competitive jobs and ensuring that all clients are connected to mental health services. Each site also must submit quarterly reports detailing how many people have received IPS services and how many of those have worked in a competitive job that pays at least minimum wage. DSEC periodically evaluates how closely sites are following the IPS model.

The state receives money from Johnson & Johnson for four years, but "it is really four one-year incentive grants," says Becker, meaning that a state needs to show compliance with the program each year to receive funds. "They have to demonstrate that they will match the funds and come up with a sustainable approach." After Johnson & Johnson stops its funding, the state takes over.

In Maryland, where funding has shifted from Johnson & Johnson to public sources, sites earn more if they show high fidelity to the model. If a local site is not following the IPS model, it receives technical assistance to get back on track. For example, a site may break its connection to a mental health center so that clients are no longer receiving mental health services, notes Goldman. In this case, the program would help reconnect the provider to a mental health center, as well as warn the provider that it needs to return to the model or risk losing its funding. In one case, a site eventually lost funding from Johnson & Johnson-Dartmouth because it "didn't meet fidelity requirements and was not going to work toward good fidelity," says Becker.

Like Maryland, South Carolina no longer receives funding from Johnson & Johnson. Yet "the Johnson & Johnson-Dartmouth Community Mental Health Program continues to be an integral component of the IPS program in South Carolina," says Alfreda King, director of community and client relations for the South Carolina Vocational Rehabilitation Department. Because the IPS program has worked so well to assist clients with mental illness, South Carolina is now using similar techniques to help clients who are deaf and hard of hearing, clients with brain and spinal cord injuries, and youths transitioning from school to work. The South Carolina IPS teams also "have access to the best and most current technical assistance and training" from the PRC, adds King.

SHARED INTERESTS, SHARED FUTURE

As IPS gains momentum, many different stakeholder groups reap the gains. Employers benefit because employees with mental illness receive the support they need to be consistent and effective workers. People with mental illness who find employment earn self-esteem, self-reliance, and a place in the community. They also may achieve greater mental health, as they "are motivated to stay well, to take their medications," says Martinez. "They know if they don't stay well, they won't be able to work." Sally, an IPS client , was able to land a job as a dog groomer and now runs her own dog grooming business. "I enjoy working with customers and educating them about their dogs," she says. "When people are independent and active with the public, it takes their mind off their disability."

In addition, states save money because "people in IPS are less likely to need hospitalization and less likely to visit emergency rooms," notes Martinez. States also save on Social Security benefits, Abramson points out. As people with mental illness find employment, he says, "they not only reduce the amount of Social Security they take out of the system, they actually put money into the system." Abramson adds that there is "no partisanship. Republicans, Democrats, everybody loves supported employment."

Although Johnson & Johnson may not devote funds to support IPS employment indefinitely, many people hope that the gains made through the Johnson & Johnson-Dartmouth program will be sustainable, outlasting the program itself and persisting despite government cutbacks. "We need continuing education, refresher courses, educational opportunities for new specialists," says Martinez. Especially important is ensuring that states understand the importance of IPS and continue to reward sites following evidence-based practices. Becker describes a yearly meeting organized by Dartmouth and attended by people from each state participating in the program. "[We are] learning collaboratively," she says, "trying to focus on sustainability, so that in these times of budget cuts, evidence-based employment services are not taken away." ■

Creating Engaged Citizens

Break Away connects campuses and communities to promote service-learning trips that inspire lifelong citizenship BY TAMARA STRAUS

WHEN ANGEL GARCIA became assistant director of the Center for Leadership & Service at Florida International University in 2006, he was faced with an onslaught of requests from students for alternative spring breaks—those weeklong trips where students tutor in failing schools or clean up post-hurricane zones rather than do shots of tequila on sunny beaches. "We had to name the program Alternative Breaks so we could run programs all year long," says Garcia.

Garcia has since expanded the university's programming to include service-learning trips over weeklong periods in the fall, winter, spring, and summer, as well as during weekends. But the expansion was not enough to accommodate demand. Last year, 565 students applied for 260 slots for Florida International University's 25 national and eight international trips. This year 878 students applied for the program.

Garcia attributes much of the program's success to the guidance he receives from Break Away, a nonprofit founded in 1991 to train, assist, and connect campuses and communities in promoting alternative break programs. "We follow the Break Away guidelines to a T," he says, referring to the nonprofit's eight components of an alternative break. They include strong direct service, orientation, education, training, reflection, reorientation, a diverse student group, and an alcohol- and drug-free program. The approach, says Garcia, "has been proven to work."

Break Away students help workers in Haiti build a new structure for Foi et Joie, a program of Jesuit Refugee Services.

PHOTOGRAPH BY MIKE LEE

As it enters its 20th year of operation, Break Away is guiding more than 150 American colleges and universities with their alternative break programming, annually helping 72,000 students volunteer with more than 1,100 nonprofit organizations in 200 communities in the United States and abroad. The most popular trips focus on the environment, followed by ones that address children and youth, homelessness, and disaster relief. A 1991 study conducted by Pushkala Raman, a marketing professor at Texas Woman's University, found that students who participate in Break Away programs are more likely to vote and remain civically engaged.

Alternative spring break programs have been around since the late 1980s, usually as part of college offices of volunteering. But since the mid-1990s the programs have burgeoned and become institutionalized. The reasons are numerous: the popularity of experiential learning; a desire on the part of college students to break out of the privileged campus bubble and give back to society; and the fact that volunteer trips are a nice way to pad one's résumé.

But even for the most ambitiously cynical students, the trips tend to serve as a catalyst. "They come back heartbroken," says Debbie Skaggs, director of volunteer services at Operation Breakthrough, a Kansas City, Mo., day care and preschool that serves more than 500 poor children and that hosts about 300 Break Away student volunteers from multiple colleges every March. "Some of our kids live in shelters, in cars, in houses without water or electricity. The students see that and it has a profound effect. They say, 'How can we fix this?'" Operation Breakthrough has been hosting Break Away students for more than 13 years, says Skaggs, not just because the volunteers provide the children much-needed adult attention but also because she knows the experience "gives the students food for thought." Indeed, Break Away's mission is not so much to give college students a chance to give back as it is to learn about societal problems firsthand.

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FACILITATING GROWTH

In 1990, Vanderbilt University seniors Michael Magevney and Laura Mann were serving as co-chairs of the university's 3-year-old alternative spring break program. Both had become involved in the program by happenstance. Magevney applied for a week of community service in Nashville, Tenn., after he did a traditional spring break as a freshman "and came back exhausted." Mann also had come to the program sophomore year out of curiosity, and had found herself on a hillside in Appalachian Tennessee cleaning up trash. Both got hooked on the way the volunteer stints enlarged their views on the intertwining fates of economics, politics, and culture.

EMPOWER VOLUNTEERS

Create strong guidelines so volunteers can be organized yet entrepreneurial

Leverage networks so volunteers can share information and lessons

Support leadership through special training and workshops

The media were quick to report on these unusual spring breaks at Vanderbilt, and soon other colleges were calling for advice about how to replicate the program. So Magevney, Mann, and fellow student Kelly Mullins sat down with William Aaron, a recent graduate and director of Vanderbilt's new Office of Volunteer Activities, to write a manual on how to organize a high-quality alternative spring break. Still, the effort was not quite enough.

"We kept hearing there was a need for a central organization to facilitate the growth of alternative spring break programs," says Magevney. With urging from Vanderbilt Chancellor Joe Wyatt, Magevney and Mann wrote up a grant proposal and received $50,000 in seed money from the university to open a national office on the Vanderbilt campus. Within its first six months of operation, Break Away: The Alternative Break Connection received $182,000 from the Kellogg and Ford foundations, followed by federal grants from the Corporation for National and Community Service and the Fund for the Improvement of Postsecondary Education.

In the early years, says Magevney, he and Mann went to conferences and "learned pretty quickly that Vanderbilt's model was not the only one and would not necessarily be replicable." The two decided that they would not follow a franchise model but urge that colleges' alternative break programs be flexible and entrepreneurial. "That's where the eight components came about," says Mann. "We wanted the programs to be tailored to specific college cultures, but we did say that to be successful the components are critical."

A DECENTRALIZED MODEL

There are benefits and detriments to Break Away's decentralized model. "One of the curses," says Jill Piacitelli, the organization's executive director, "is that we are stretched thin and must make hard decisions about what we can and cannot do." After having moved from Vanderbilt to Florida State University, the organization is now based in a small office in Atlanta. Updating manuals and pulling off training sessions is difficult, says Piacitelli. But the results from Break Away's annual budget of $160,000—which covers overhead and the salaries of two full-time employees—are impressive.

Every year Break Away holds 15 to 20 two-day site leader retreats at college campuses, to teach students fundraising, conflict resolution, and group building. Break Away also annually leads three Alternative Break Citizenship Schools (ABCs), weeklong leadership training sessions for students who run their campus programs to explore such big picture issues as mission, vision, and ethics. Break Away's budget is primarily funded through membership dues. It charges colleges $250 (for an associate membership) or $650 (for an advantage membership, which gives students access to ABCs). Nonprofits that wish to use Break Away volunteers can join with an annual membership fee of $100.

Break Away advises that students—not college staff—create their own alternative breaks. Students on alternative break executive boards designate their issue, be it prison reform or reforestation, and then go about contacting governmental and nonprofit agencies that can serve as host organizations. The executive board also decides which educational materials to read and what training participants need to be effective. The participants, 10 to a group led by two student leaders, must attend five pre-trip and two post-trip meetings. In essence, the student leaders of alternative break programs learn to run their own nonprofits. They do their own development, marketing, public relations, assessments, and fundraising to support the trips, which on average cost $270 per person for domestic breaks and $1,200 for international ones.

For some students, this level of civic and entrepreneurial activity is addictive. Although Break Away does not keep track of its alumni, there seem to be a large number of change makers in their ranks, especially among those who attained alternative break leadership positions. "I did an alternative spring break every year in college; I was converted by it," says Krista Donaldson, who graduated from Vanderbilt in 1995 and went on to a career in international development. She now runs D-Rev, a nonprofit design firm and technology incubator that creates affordable products for the developing world. Donaldson's fellow alternative break leader, Michael MacHarg, also found a vocation in helping others. He served as an associate director of the Institute for OneWorld Health, the first nonprofit pharmaceutical company, and now heads business development at the sustainable energy developer Simpa Networks. Donaldson and MacHarg point to a few dozen fellow students from their Vanderbilt days for whom alternative spring break was a springboard for careers in social change.

Break Away remains in growth mode. The number of alternative breaks organized by chapter schools jumped by 20 percent in 2010, with international trips growing 10 percent. Recently, the organization formed an initiative called the Haiti Compact with American University, the College of William & Mary, Indiana University, Loyola Marymount University, and the University of Maryland to organize alternative breaks to Haiti. In January, Melody Porter from William & Mary and seven students who passed the rigorous application process will make a second trip to Haiti to work with two nonprofits: the Mennonite Central Committee and International Child Care. Porter's expectation for the trip: "We're going to receive a lot more than we give. We're there to learn. The goal here is to create lifelong advocates for Haiti." ■

Market-Minded Development

The ACUMEN FUND was founded in 2001 as a nonprofit social venture capital firm that uses entrepreneurial approaches to tackle problems of poverty in developing countries. Almost a decade later, the fund's model has garnered attention, but can it change international aid?

BY HIMA BATAVIA, JUSTIN CHAKMA, HASSAN MASUM, & PETER SINGER

In 2002, Jacqueline Novogratz traveled to Arusha, Tanzania, to meet Anuj Shah, CEO of A to Z Textile Mills. A joint partnership between Sumitomo Chemical, ExxonMobil, and UNICEF had been forged to develop a long-lasting insecticide-treated bed net for malaria prevention. The trio had called on Acumen Fund—a nonprofit social venture capital firm founded by Novogratz—to identify an African partner capable of locally manufacturing and distributing the technology.

Novogratz was confident that the nets could revolutionize the prevention of malaria, a disease that disproportionately affects the poor, killing approximately 250 million people annually. Although bed nets have been a proven prevention method against malaria transmission, the dominant technology in the early 2000s required retreatment every three to six months. The long-lasting insecticide treatment would extend the nets' lifetime to five years.

A to Z was Acumen's prime candidate to make the nets, as it had been in operation for more than 25 years and employed more than 1,000 people. Instead of awarding A to Z a grant—the conventional form of financing in the global health field—Acumen provided a $325,000 three-year loan with a 6 percent annual interest rate. The initial financing contract stipulated a royalty-free technology transfer of the nets from Sumitomo Chemical, and helped A to Z purchase new, specialized bed net weaving machines. In 2005, an additional $675,000 of capital structured as partly debt and partly a grant was committed to test the viability of a retail market distribution strategy. "I remember thinking that if the company produced 150,000 nets a year, we would have made a major contribution," Novogratz recounted in her 2009 book *The Blue Sweater: Bridging the Gap Between Rich and Poor in an Interconnected World*.

Following the successful technology transfer, Sumitomo Chemical and A to Z each invested $7.5 million in follow-on financing to start a joint venture. By late 2010, A to Z was on target to produce 30 million nets—up 20 percent from 2009—and to sell them to international aid agencies for approximately $6 each. Its staff of 7,000, who are mostly women, has made the company one of the largest employers in Tanzania.

A to Z was Acumen's game changer. By 2006, the textile firm had repaid its first loan to Acumen, and it is on schedule to repay its second. Although the loans were small compared with A to Z's total financing, Acumen was the only partner willing to risk the initial capital to prove the company's capacity to produce the nets. And only after A to Z achieved a proof of concept was the follow-on financing raised. The investment showed that, with capable investees, social venture capital (SVC) can succeed financially and contribute to global health.

This was not always clear. In Acumen's start-up years, several of its investments in early-stage health technologies failed. The firm also faced skepticism, due to its limited size and unproven ability to scale up investments. Yet skepticism about Acumen has faded as interest in social enterprise and impact investing has grown. Acumen is now recognized as the SVC pioneer. In 2009 Novogratz was named one of *Foreign Policy*'s 100 Top Global Thinkers. And in 2010, U.S. Secretary of State Hillary Clinton hailed the fund for creating an "innovative approach [that combines] philanthropy and capitalism."

Over the past nine years, Acumen has deployed $48.6 million across 50 investments (35 of which are active) in the health, energy, housing, agriculture, and water industries in East Africa, India, and Pakistan. Its global health portfolio is the largest, accounting for roughly 55 percent of the fund. The nonprofit Acumen Fund also manages Acumen Capital Markets, a limited partnership launched in November 2009 that provides debt, convertible debt, equity, and quasi-equity financing for the more commercial investment opportunities from Acumen Fund's investment pipeline. Acumen Capital Markets has raised $15.9 million from limited partners and debt holders, including the Rockefeller and Skoll foundations, among others.

SVC's appeal also has grown as the recent global economic crisis prompts a search for more effective uses of scarce capital. "Nobody's giving charity away," says Biju Mohandas, Acumen's East Africa manager. "The idea of making investments in a business that will provide social good and give financial returns is like a utopian dream. Everybody wants to do it."

FINDING A NICHE

The idea for Acumen crystallized in 1999 while Novogratz was leading a workshop with the Rockefeller Foundation for wealthy individuals on effective philanthropy in Washington, D.C. Novogratz's past experiences at Chase Manhattan Bank, the African Development Bank, and the Rwandan nonprofit microfinance orga-

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Sara Shabani and Zainaru Ramaitani Olyset check mosquito nets in the A to Z Textile factory in Arusha, Tanzania.

nization Duterimbere had given her strong opinions about the power of the market and the limitations of charity and aid. She was convinced that a third way was possible—one that combined the discipline of the market and the ethical motivations of charity. "Markets reveal information, including where the market itself fails," Novogratz wrote in *The Blue Sweater*. "I would submit that this way of listening—if we really do that—could be extremely powerful as a way of teaching us how to effect real change."

After the workshop, Novogratz pitched the SVC model to her boss, Sir Gordon Conway, then president of Rockefeller Foundation. Conway was particularly interested in how Acumen would differentiate itself from foundations. "We wouldn't simply make grants," she told him. "We would invest in entrepreneurs who have vision and ability to solve local problems with market-driven ideas and approaches. We wouldn't focus on specific 'projects,' but instead direct our efforts toward building strong organizations that we would gradually help bring to financial sustainability."

Convinced of the model's merits, the Rockefeller Foundation along with Cisco Systems Foundation and three Silicon Valley philanthropists committed $8 million in seed funding. In April 2001, the Acumen Fund was registered as a 501(c)(3). Novogratz's decision to pursue a nonprofit structure gave the firm the flexibility to pursue risky investments that demonstrated the potential for social impact and financial sustainability, without the pressure of attaining traditional venture capital (VC) returns. Although this meant Acumen would need to fundraise to sustain itself as a nonprofit organization, room for experimentation with new business models was worth the trade-off. "When we started in 2001, it was a pretty uncrowded field. We were pretty much one of the only—well, maybe the *only* player at the very beginning," said Novogratz in a March 2009 *McKinsey Quarterly* article.

Acumen's first investments focused on early-stage health technologies that could deliver a global health impact. "In the first few months, we sifted through more than 700 possible leads from around the world," says Novogratz. "Most fell short, either because we could see no path to long-term sustainability or because they had little chance of serving more than a few thousand people." Feeling discouraged, Novogratz sought advice from a friend and CEO in the health care sector. "Just start," he told her. "Don't wait for perfection. Just start and let the work teach you."

In 2002, Acumen provided a $425,000 grant for a low-cost point-of-care diagnostic for dengue fever that was being developed by Dr. Eva Harris and her colleagues at the University of California, Berkeley. With the World Health Organization estimating that 2.5 billion people were at risk of contracting dengue fever, the tool passed the test for market potential and global health impact. Harris proposed the idea of a "socially responsible license," which would grant the nonprofit Sustainable Sciences Institute royalty-free rights to the technology in developing countries, while UC

PHOTOGRAPH BY MAGGIE HALLAHAN

Berkeley retained the rights in developed countries. Although the idea was a radical departure from traditional intellectual property management methods, the university accepted the proposal. The license has since been used in roughly 15 similar agreements, setting a precedent for UC Berkeley to consider both social and financial returns in its valuation process.

But shortly after the investment was made, Acumen found that the academic team was unable to commit sufficient development time to field tests. This led to milestone slippages and cost overruns. Ultimately, the prototype never reached the field. "It became apparent very quickly that you don't just come up with products—you also need to have a full value chain, including marketing and distribution, and a team behind you," says Omer Imtiazuddin, Acumen's health portfolio manager. Traditional investments in early-stage health technologies require long timelines (i.e., 12 to 15 years) and deep pockets, two things Acumen didn't have.

"We were learning," says Novogratz. "By the end of the first year, we had modified our approach." Acumen shifted to late-stage enterprises in health delivery and manufacturing—enterprises facing business execution challenges, such as inefficient distribution, ineffective supply chains, inadequate pricing models, and an absence of economies of scale. The firm also recognized that grants were not as effective as disciplined investment structures, such as debt and equity. Awarding grants meant no expectation of repayment, hindering the ability of the fund to recycle financial returns into new investments.

This novel style of investing was termed "patient capital" by Novogratz. Moving forward, Acumen's investments would typically exceed the four- to six-year timeline set by many traditional funds, because of complexities of enterprises operating at the base of the pyramid. The idea was that being patient with capital improved the chances for social and financial returns as well as breakthrough business models suitable for scale and replication. The question remaining was where to find compatible investments.

CASE STUDY QUESTIONS

What role can social venture capital firms play in global health?

How should social venture capital firms support investees?

What challenges do social venture capital firms experience when scaling up investees?

DEAL OR NO DEAL

Good investment opportunities—ones that met Acumen's criteria of reaching at least 1 million people and being both financially sustainable and scalable—were difficult to find in developing countries. "For a while we had more capital than investment opportunities," says Imtiazuddin. To overcome this barrier, Acumen opened country offices in India and Pakistan in 2006, followed by East Africa in 2007. Local offices began to identify enterprises and submit them for evaluation against Acumen's Best Available Charitable Option (BACO) method. BACO measures the cost effectiveness of a potential investment by comparing the projected output with a similar charitable option. For example, when the impact of investing $325,000 in A to Z was compared with purchasing $325,000 worth of nets for distribution, Acumen found that the former option was 24 times more cost effective than the latter. This method, however, is limited to quantifiable outputs, and may not capture the long-term health outcomes and systemic changes potentially stimulated by an investment. Acumen also assesses the abilities of individuals. "We realize from a portfolio side that the most important thing we're investing in isn't necessarily the business plan, it's the actual entrepreneur," says Imtiazuddin.

Shortlisted investments are passed on to the next stage of the investment process, where a member of the health portfolio presents the deal to the entire team. An associate from another portfolio is designated the SKW, or Shaitan Ka Wakil (Urdu for "devil's advocate"), to enable cross-portfolio feedback on potential risks and investment synergies. Acumen's team then conducts conventional financial and legal due diligence to seek low-cost, high-quality business models. Acumen favors models that use sliding price scales and cross-subsidies to make health services and products more affordable to the poor. "Our aim is not profit maximization, but profitability," says Varun Sahni, former country director of Acumen Fund India.

Deals are often structured as traditional debt, convertible debt, or equity in the form of fully voting common or nonvoting preferred shares, typically for a minority stake of 10 percent to 33 percent. Unlike traditional VC firms, Acumen does not have a minimum acceptable rate of return below which it will not invest. "We look upon [returns] as a sliding scale," says Imtiazuddin. "The greater the social impact, the lower the financial return we'd be willing to accept. The lowest return would still get our capital back."

Acumen's decision to invest debt or equity capital begins with an assessment of the company's financing needs and the stage of its development. Equity investments are better suited for enterprises with a limited operating history and that require financing for business model refinement and scale. Debt is more appropriate for companies with a proven business model and healthy cash flows that require financing to achieve a specific growth objective. In 2005, for example, Acumen invested $500,000 of debt into VisionSpring, a four-year-old eyeglass social venture, to fund management support from external consultants to conduct supply and distribution modeling.

By the end of June 2010, approximately 70 percent of Acumen's health investment portfolio was equity and about 30 percent was debt, illustrating the firm's efforts to diversify the risk of its portfolio. Equity investments offer greater potential for financial return, but are far riskier propositions, since exit opportunities for social enterprises are often unclear. Debt does not provide as much financial return, but is less risky. Still, Acumen has found that it must remain flexible when structuring deals. Government regulations in India, for example, have restrained access to debt financing for entrepreneurial ventures, leading the fund to invest in equity and royalties instead.

Despite taking a minority stake in most of its investments, Acumen's hands-on management support is costly. Management support accounts for more than 10 percent of Acumen's annual expenditures. This has led Acumen Capital Markets, the for-profit fund, to charge a 3 percent management fee, which is higher than the 2 percent partners at VC firms typically charge and which will likely raise flags for investors new to the SVC model.

To deal with its high management costs, Acumen is shifting toward making larger investments, ranging from $500,000 to $3 million. The fund believes that this approach will fill the gap between microfinance (up to $10,000) and commercial financing (often $2,000,000 or more) found in developing countries. "Most financiers will not touch these investments," says Nthenya Mule, Acumen's former East Africa manager. "We're willing to walk with the entrepreneurs as they grow and develop."

FUNDER AND FRIEND

Following the closing of an investment, Acumen's focus shifts to defining metrics that measure social impact and to identifying a business's weaknesses. The idea is to "set the bar high with strict goals, while providing the management support to help these enterprises achieve their objectives," says Imtiazuddin.

In 2007, when the firm invested $1.9 million of equity in LifeSpring Hospitals, an Indian maternal and pediatric care hospital network, the goal was to scale the established model from six locations to 30 by 2012. The clinics are small, holding only 20 to 25 beds, and new locations open at a cost of $100,000. LifeSpring's "no frills" model has lowered the price of maternal health services by as much as one half compared with the average private health clinic in India. It does this by employing 180 standardized clinical and operational processes, purchasing equipment and materials in high volumes, and employing auxiliary nurse midwives instead of graduate nurse midwives. In addition, the hospital's staff is equipped to handle only regular pregnancies, referring more costly, high-risk pregnancies to partner hospitals. In a country where antenatal care coverage and institutional deliveries comprise less than 40 percent of the population, creating additional capacity for standard maternal health treatment was a no-brainer.

Acumen decided the primary evaluation metric of the company would be women who delivered their second child at LifeSpring and whose first child was delivered at home. "That would give us an idea of how much of a shift has happened from home delivery to institutional delivery," says Mohandas. Then, in 2008, LifeSpring's expansion plans were stalled by difficulties in recruiting qualified staff. "Funding isn't the primary challenge for entrepreneurs of these ventures," says Brian Trelstad, Acumen's chief investment officer. "It's that they can't get enough of the right people to grow their ventures." To assist with operations, Acumen Fund Fellow Tricia Morente was sent to LifeSpring's head office in Hyderabad, India. Morente, a former management consultant and graduate of Columbia University's Graduate School of Business and School of International and Public Affairs, helped LifeSpring open two new locations, and then signed on as a full-time employee.

The Acumen Fund Fellows program has become one of its most valuable assets. Launched in 2006 with support from Google.org and Katzenbach Partners LLC, the 2010 program attracted more than 600 applications from 60 countries for 10 spots. The fellowship involves eight weeks of leadership training at Acumen's New York City headquarters and 10 months in the field with an Acumen investee to tackle a critical business issue. "They become the eyes and ears on the ground. They're able to flag for us and bring attention to areas that need shoring up," says Mule.

In September 2009, LifeSpring opened its ninth location in Chilkalguda, Hyderabad, and in the first quarter of 2010 the company reported 70,000 mothers served and 5,000 babies delivered. Currently, it is in discussions with the Indian ministry of health to expand to 500 districts in the country. As LifeSpring expands, the potential for exit opportunities will become clearer. "I cannot understand why any conventional venture capital or private equity firm would not be interested in LifeSpring when it reaches 30 hospitals," says Imtiazuddin.

POWER NETWORK

Acumen's fund may be small, but its network of investors, directors, and advisors is powerful. The group draws from philanthropy, finance, and high tech; it forms a veritable who's who of the global health and private equity sectors. Acumen's network includes investors like the Bill & Melinda Gates Foundation ($13 million donated), board members such as Nobel Prize winner Joseph E. Stiglitz, advisors such as IDEO President Tim Brown and best-selling author and entrepreneur Seth Godin, and co-investors like the International Finance Corporation. Recently, the firm forged a partnership with Italian fashion company Salvatore Ferragamo to donate a portion of its profits to Acumen.

Acumen donors (called "partners") contribute tax-deductible capital to the nonprofit fund, and board members reportedly finance 100 percent of Acumen's administration and fundraising costs. Acumen's network is also drawn on for financial investment, management support, and potential co-investor, supplier, or customer partnerships. For instance, in 2008 when the Kenya-based enterprise Botanical Extracts EPZ (BEEPZ) was on the verge of running out of money to produce antimalarial medicine ingredients, Acumen invested $2.25 million in bridge financing. It then tapped into its network to attract co-investors, including the International Finance Corporation, the German Development Bank, and Industrial Promotion Services (the private equity arm of the Aga Khan Foundation).

Acumen has brought SVC into the mainstream. Novogratz and Acumen's successful investees have been the subject of high-profile newspaper and magazine articles as well as documentaries and television shows. And the fund has launched chapters in more than 10 cities to raise awareness and money. But some criticize Acumen's positive press as misleading. Ted London of the William Davidson Institute argued in a May 2009 *Harvard Business Review* article that although anecdotes capture our imagination, using them as evidence of impact is akin to manipulating balance sheets to present better financial results. Imtiazuddin argues that the publicity of Acumen's investments encourages replication in other geographies. "In this way," he says, "we can reach a much larger number of people than would be possible from Acumen investing alone."

A LAB FOR HEALTH SYSTEM DESIGN

Trends in global health increasingly favor developing national health systems as opposed to disease-specific initiatives. But many experts contend that developing such systems requires extensive innovation and experimentation. Meanwhile, governments and large nonprofits are generally risk averse and loathe collaboration. Acumen is trying to fill this gap by investing in risky but potentially rewarding experiments. The fund expects 30 percent of its investments to fail, as a result of an investee company folding or Acumen divesting because of conflicting values.

Acumen's strategy includes investing in enterprises across a typical national health system, and testing which models optimize health care delivery. (See "Acumen Fund's Health Portfolio" on p. 71.) One such model is AyurVAID, a low-cost hospital group in India specializing in the integration of traditional Indian medicine with modern practice to treat chronic illnesses. Through cross-subsidization and partnerships with 12 leading insurance companies, the AyurVAID network of six hospitals with a combined capacity of 120 beds is increasing access to familiar treatment options.

Acumen's joint equity investment in First Microinsurance Agency (FMiA) with the Aga Khan Agency for Microfinance is another example of a potentially replicable model. FMiA has collaborated with New Jubilee Life Insurance to develop affordable microinsurance policies for Pakistanis earning between $80 and $180 a month. "Being able to provide health insurance to low-income consumers is going to be a key part of the battle to improve health outcomes in all BoP countries," says Imtiazuddin. By early 2009, FMiA issued microinsurance health policies to 11,000 people in Karachi and 9,000 people in northern Pakistan.

Failed investments also have proved valuable. In 2008, Acumen invested approximately $200,000 in Sehat First, a tele-health service providing health care information and pharmaceutical services in Pakistan. Sehat First's business was premised on the idea that connecting doctors to patients by telephone could help overcome a shortage of publicly funded health centers and medical professionals in Pakistan. The aim was to set up 200 clinics by 2010—but challenges, including unstable telecommunications connectivity in less urban areas, proved insurmountable. The approach was ultimately abandoned, providing a cautionary lesson for future tele-health investments and initiatives.

FALLING SHORT

Critics of Acumen argue that its model expands the private health care sector in developing countries—a controversial subject, since charging the poor for health care can arguably lead to further impoverishment, and weak stewardship of the private sector has led to inconsistent health care quality and an increase in fraudulent practices. But opponents of this view argue that private sector health care is a fact in poor countries, and increasing its efficiency and effectiveness is a financial and moral imperative. Sixty percent of the $16.7 billion spent on health care in Africa is paid directly by patients to the health care providers, mostly by the poor, according to a November 2008 *PLoS Medicine* article by Kara Hanson. In India and Afghanistan, this figure jumps to 80 percent.

The consensus seems to be that neither the public nor private health care model is superior. "There are going to be people who can't afford the most basic services," says Imtiazuddin. "It's unrealistic to expect that people who can pay will be provided services free, and that we'll manage to have enough funding in the public health space to make that work over the long run. Both models are necessary."

Since 2007, Acumen has seen its investees' innovations influence public sector development. When investee Dial 1298 for Ambulance launched in Mumbai, India, with privatized emergency medical response services (EMRS), another company quickly replicated the model and contracted its services to the Indian government for triple the cost. Unwilling to tolerate favoritism, Dial 1298 founder Shaffi Mather successfully lobbied for the development of a transparent bidding process for public sector EMRS in India. The company also showed the potential benefits of states instituting EMRS, when it rescued more than 125 injured people as the first responder during the 2008 Mumbai terrorist attacks.

Dial 1298 now operates more than 241 ambulances in Mumbai, Kerala, Patna, Bihar, and Rajasthan, divided between 199 subsidized public sector services and 42 pay-per-use patient transport services. The company recently secured government contracts across India totaling $80 million, which will put about 1,000 ambulances on the road over the next two years. This projected growth has caught the attention of large Western emergency service companies, one of which is likely to invest in or buy 1298. "Ten years from now, India will have a fairly robust emergency services system, partly due to the efforts of Dial 1298 for Ambulance," speculates Imtiazuddin.

The enterprise's mounting success is largely due to Acumen's $1.5 million equity investment in 2007, says Sweta Mangal, Dial 1298's chief executive. "A normal VC would not understand a free or subsidized service. That kind of mindset is not there."

LOOKING FORWARD

Among Acumen's health sector investments, three have grown to be quite large, A to Z, BEEPZ, and Insta Products. A to Z expects to manufacture 30 million bed nets in 2010. BEEPZ is capable of producing 50 million regimens of Artemisinin-based combination therapies for malaria treatment at full capacity. And Insta Products in Kenya is set to make 12,600 metric tons of its micronutrient-rich porridge.

Other investees are facing hurdles. Partnering with local governments can mean accepting corrupt practices. Seeking new or traditional investors can lead to higher profitability, but perhaps at the expense of serving the poor. In Dial 1298's case, its public sector expansion has been challenged by weak usage. "People see only dead bodies in the ambulance, so they refuse to use the service," says Mather. "It's naive to think that affordability is the only indicator that people use to make decisions," says Novogratz. "Trust is a huge factor."

Although Acumen has not achieved sustainability and only profitably exited one investment in its health portfolio (A to Z), it is aiming for a financial return of 1 to 1.5 times on its investments. Achieving a return of 1.5 times would make Acumen sustainable; less than that would force the fund to find new investors. It is still too early to assess exit strategies from portfolio companies in which Acumen has invested, because most investments were made between 2007 and 2009. But Imtiazuddin says the most likely exit options will be to sell equity stakes back to investees, sell companies to multinationals or local governments, or attract commercial follow-on financing. Selling shares of the company to the public, in an initial public offering, is doubtful.

Acumen Fund's Health Portfolio

COMPANY	COUNTRY/AREA	HEALTH SYSTEM	SERVICE OR PRODUCT	INVESTMENT ($USD)
Botanical Extracts EPZ	East Africa	Manufacturing	Drugs for malaria treatment	$625,000 equity (2006) $1.625 million equity (2006) $400,000 debt (2009)
Voxiva	East Africa	Distribution	Interactive mobile health information services	$768,000 equity (2006) $134,000 equity (2006) $500,000 equity (2008)
Insta Products	Kenya	Manufacturing	Micronutrient porridge	$1 million debt (2008)
Sustainable Health-care Foundation	Kenya	Primary care	Low-cost pharmacy and medical clinics	$125,000 debt (2005)
Upper Hill Eye & Laser Centre	Kenya	Tertiary care	Mobile eye care	$300,000 debt (2009)
Books of Hope	South Africa	Health education	Interactive health care educational materials	$150,000 debt (2007)
BroadReach Healthcare	South Africa	Distribution	HIV/AIDS treatment access in hospitals	$1.75 million equity (2005)
DART	South Africa	Manufacturing	Antimalarial wall linings	$252,000 equity (2007)
AyurVAID	India	Secondary care	Low-cost hospitals for chronic illness using traditional Indian health practices	$1.1 million equity (2008)
Dial 1298 for Ambulance	India	Primary care	Emergency medical response services	$1.6 million equity (2006) $118,000 debt (2009) $1 million equity (2009)
Drishtee	India	Distribution	Internet kiosks for health services	$1.01 million equity (2005) $233,000 debt (2006) $25,000 grant (2007) $661,000 equity (2007) $1.5 million debt (2008)
LifeSpring	India	Secondary care	Maternity and pediatric hospital	$1.8 million equity (2007) $100,000 grant (2009)
Pushpagiri Eye Institute	India	Tertiary care	Advanced eye care	$2 million equity (2009)
VisionSpring	India	Distribution	Affordable reading glasses	$500,000 debt (2005)
First Microinsurance Agency	Pakistan	Health finance	Health microinsurance	$500,000 equity (2008) $900,000 debt (2008)

Note: In addition to the active investments listed above, Acumen has exited its investment in seven other health organizations: A to Z Textile Mills, Aravind Eye Hospital, Meridian Medical Centre, Project Impact, SATELLIFE, Sehat, Sehat First, and SSI.

Over the past nine years, Acumen claims to have improved the lives of 36 million people in developing countries. Yet this claim is based more on anecdote and measurable outputs than on data-driven evidence that buyers, customers, and patients of its investments in health services and products are better off. Until health outcomes can be better assessed, it is difficult to quantify Acumen's true impact—a challenge common to a large portion of the global health sector.

Acumen intends to grow the size of its funds to $250 million in the next five years, and to expand into new geographies and sectors. Achieving a balance between scale and the nimbleness to make quick decisions will be important. "Right now we have the ability to convene our investment committee and make a call on an investment of less than $750,000 in three days' time, and that is not something that our peers who are larger can do," says Trelstad. "When we think about scale, it is not just how big our portfolio is," or what Acumen's financial return can be, says Novogratz. "It also is increasingly important to consider the level of influence we are having in the world."

Acumen now has competition from an emerging SVC sector. In June 2009, a $57 million Africa Health Fund was launched by the London-based private equity firm Aureos Capital, with backing from the International Finance Corporation, the African Development Bank, Delhaize Group, and the Bill & Melinda Gates Foundation. The fund made its first investment in February 2010, investing $2.66 million of quasi-equity in the Nairobi Women's Hospital to buy out management and build three more locations. Going forward, investments will focus on late-stage health delivery enterprises in Africa that have the potential to achieve a 10 percent to 15 percent annual return. Other SVC funds, such as the Tandem Fund, Venturesome Fund, Bridges Ventures, and Gray Ghost Ventures, share some similarities with Acumen, but differ in geographical and industry focus and range widely in terms of social and financial returns.

Despite broadening into more commercial financing activities with the launch of the for-profit Acumen Capital Markets fund, Acumen remains committed to social impact and philanthropy. "Once you're driven just by profit, you're likely to make different decisions about, say, what income levels you need to serve," says Imtiazuddin. Acumen has considered a more decentralized model, in which country offices would operate and fundraise more independently, but there are no plans to transition completely to a for-profit enterprise.

Novogratz believes social venture capital is here to stay. "I could talk about reducing the price of malaria nets," she says, "but I think we need to get away from '$10 will save a life' and other slogans that fit on a T-shirt. Instead, we need to build lasting solutions that fundamentally change the system, so that everyone can thrive without having to be dependent forever on charity." Novogratz is confident that her firm is "building companies that will help the poor—and bring in far more resources than we invest—long after we are gone."

There is no doubt that Acumen is an innovator. But so far its achievements have been small in scale, and primarily in the design of new business models for health manufacturing and delivery. Whether these business models reach significant scale or inspire governments, multilateral health organizations, and commercial financiers to reinvent health systems will determine social venture capital's future role in global health. ■

Farming Seaweed

In the summer of 2009, I photographed seaweed farmers in Zanzibar. The photographs were exhibited in Picturing Power & Potential, a juried group show presented by the San Francisco Arts Commission Gallery in association with the International Museum of Women. The exhibition highlighted women's potential as active participants in the global economy.

Globally, the import and export of seaweed generates approximately $200 billion annually, with the United States alone importing nearly $50 billion each year. Algae extracts are used in processed dairy, meat, and fruit products, cosmetics, paint, toothpaste, air fresheners, fertilizers, and pharmaceuticals, and in greenbiofuels being developed to revolutionize transportation and mitigate global warming. Currently, multinational corporations like Exxon Mobil are investing hundreds of millions of dollars to genetically engineer synthetic strains of algae capable of absorbing carbon dioxide.

But in Zanzibar, the sustainability of this form of aquaculture is imperiled because the infrastructure, hardware, and skills needed to extract valuable algae from dried seaweed are not available. Many illiterate seaweed farmers are forced to rely on local middlemen who monopolize profits from the export of this prized raw commodity. One seaweed broker in Zanzibar reported that he paid farmers 7 cents per kilogram of seaweed. The thin thread that connects seaweed farmers to the global economy grows more fragile by the day.

The Seaweed Center is an NGO founded by students at the Chalmers School of Entrepreneurship, with support from the Rylander Foundation and Jan Iversen, a Danish social entrepreneur. Based in the rural village of Paje, the center provides women with the tools and training they need to create value-added products from dried seaweed, such as shampoo and soap. This endeavor has brought together Swedish graduate students, Tanzanian marine biologists, and local women in an effective alliance that illustrates the potential of international collaboration for social justice. —JOANNA LIPPER

PHOTOGRAPH BY JOANNA LIPPER

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