



Scaling New Heights

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

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Introduction and summary

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

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

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

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

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

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

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

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

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

Specifically we recommend:

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

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

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

The six-stage cycle of social innovation

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

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

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

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

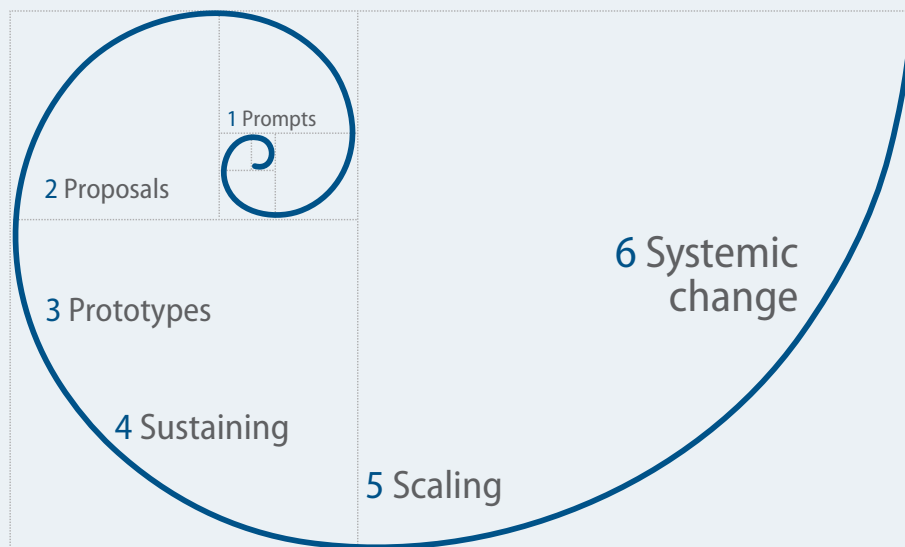
3. Prototyping and pilots. This is the testing stage. Whether through controlled trials or just running an idea up the flag-

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

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

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

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



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About the Young Foundation

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

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