

From Band-Aid to Deep Impact: Building Effective Social Sector Organisations

Making a real difference requires combining your passion with a problem-solving mindset and a rigorous approach.

The non-profit **Miriam's Kitchen** used to focus on serving meals to homeless people in Washington, D.C. in an atmosphere of dignity and respect. Homelessness itself was seen as an issue it could do little about, so it just tried to make the lives of the homeless a bit better. But that changed in 2012, when its mission was ambitiously redefined as “ending chronic homelessness in Washington, D.C.”

Miriam's Kitchen joined other regional organisations targeting the root causes of chronic homelessness through an intervention called “**Housing First**”, wherein the homeless were provided their own apartments without preconditions like first fixing mental health issues or substance abuse habits: The beneficiaries could choose how much other support they wanted and when. The approach towards homelessness violated traditional wisdom but was backed by evidence. **Rigorous research** had recently established that the housing first model was more effective and efficient than traditional methods of addressing homelessness.

Miriam's Kitchen exemplifies how more and more social sector organisations are pivoting from treating symptoms of societal ills (e.g. hunger among homeless people) to the ills themselves (e.g. homelessness). Competition for donor dollars that are being increasingly allocated based on tangible evidence of impact has also accelerated the shift

towards focusing on outcomes that matter most.

But, for most non-profits, achieving meaningful impact often entails a fundamental re-examination of the organisation as it stands. In my recent leadership programme “Impact Strategy, Evaluation and Management for Non-Profits” (run in collaboration with Singapore's **National Council of Social Service**), ten themes emerged around transitioning from a “Band-Aid” mindset of curing symptoms to maximising long-term outcomes.

What market failure are you addressing? The first key question is why the societal need an organisation focuses on cannot be met using a purely business approach. The next question is whether it is feasible to employ a **social enterprise approach** based on an “impact first” business model, or whether we need to abandon the market completely and go all the way to pure charity. The right answer is context-dependent: While being closer to the market end of the “**intentionality spectrum**” makes financial sustainability and scaling easier, this sometimes comes at the expense of **depth**. For example, it is well documented that microfinance's transition to a profit-driven sector, while increasing reach, can lead to serious **compromises**.

What specific segment and need are you

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servicing? Just like we debate the competitive advantage of a business in strategy courses, we need to get more critical in asking why a particular non-profit is best suited to serve a particular need. It is not good enough to argue that doing something is better than doing nothing. There is always an opportunity cost: The resources deployed, such as funding or staff time, could go into alternative uses. Nobody can be the best at everything, so a non-profit must focus the scope of its work on things it excels at rather than just taking on every project coming its way.

Are you focusing more on costs than value creation? Social sector organisations are typically under pressure to minimise costs, especially ensuring that their overhead costs are kept to a bare minimum. But this can lead to underinvestment in critical things like technology, systems and talent, preventing them from realising their full potential in terms of scale and impact. When was the last time Apple was measured primarily on how well it cut its R&D or training costs? Similarly, non-profits and social enterprises should be asked to focus not on blind cost reduction, but on cost effectiveness in **delivering real outcomes**.

Do you have a clear and credible “impact model”? Once you have clarified your target segment and its real need, the next step is to figure out the logical way of realising the outcomes. This requires having a robust “impact model” (also called “theory of change”), involving a series of hypotheses that clarify the path from resource deployment to outcome realisation. Getting clarity on the model is a pre-requisite for appropriately tracking progress. Operational monitoring then helps you track how well you execute on the model. Lastly, impact evaluation can demonstrate the final achievement of the desired outcomes.



What are your key assumptions and accountability? In formulating your impact model, you should make your assumptions explicit. If you provide solar home lighting kits to households without electricity in the hope of improving educational outcomes, you are assuming that

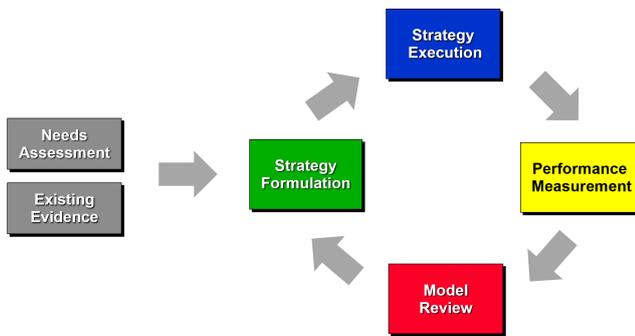
children will use the lamps to study more, and that these extra study hours will help their learning. How sure are you that these assumptions are valid? Would you hold yourself accountable for just delivery of the kits or actual improvement in educational outcomes? Your answer to such questions should shape your measurement strategy – what assumptions you test and what you take for granted as either obvious or beyond your accountability.

What is the right measurement strategy for you? Although purists consider rigorous evaluation methods like “randomised control trials” the gold standard, many practitioners find them costly, time-consuming and disruptive. Even so, it is useful to understand such methodologies, as this skill helps you interpret relevant impact evaluations carried out elsewhere, and to understand the strengths and limitations of any approach you adopt for yourself. The delicate balance, as **Mary Kay Gugerty and Dean Karlan** put it, is in figuring out what is the “just right” approach best suited for your context. Even if you do not carry out comprehensive evaluations, you could at least use your impact model as a guide to have metrics in place and monitoring to ensure you are on the right track.

What evidence and knowledge already exist? Rather than reinventing the wheel every time, we need to get better as consumers of external evidence and knowledge. For example, in the context of minority kids from poor households in the US, **decades of research** has established that high-quality preschools lead to better outcomes related not just to school performance but also employment and crime-free life. Their cost effectiveness is also **well documented**: Each dollar spent can pay back tenfold in the form of future cost saving for government budgets. Knowing such evidence helps make a “business case” for replicating similar projects and designing funding solutions like **social impact bonds**.

How do you continuously learn and improve over time? Your measurement strategy needs to be an integral part of your overall strategy, not just a reporting exercise. Ensuring this allows your organisation to not only ensure its continued effectiveness but also build credibility among your stakeholders. Despite a careful needs assessment and review of existing evidence, the first version of any impact model is rarely perfect. It is therefore critical to adopt a problem-solving mindset, stay humble and curious, and use monitoring and evaluation as tools to continually refine your model over time.

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What kind of funding should you seek? While ad hoc fundraising campaigns like the “ice bucket challenge” have their place, over-relying on these to **attract retail donors** can often distract from pursuing deep impact. The ideal scenario is one where a significant fraction of your resources comes from long-term **funders focused on outcomes**, while ensuring alignment of expectations between the funders and your organisation to avoid future conflicts or mission drift. Funding agencies also have much to learn from venture capitalists that fund Silicon Valley start-ups. Pursuing innovation towards effective solutions requires encouraging experimentation and tolerating inevitable failures in the process.

Should you use collaboration to multiply your impact? Growing your impact is not the same as growing your organisation: A multitude of other “**end game**” options can help. Consider the “**Kindle Garden**” inclusive pre-school project of **AWWA**, a Singapore-based charity. Instead of rapidly scaling up, AWWA has chosen to keep the project small and focused on demonstrating the financial viability and effectiveness of its approach. It hopes to serve as a role model for other preschools to increase their efforts towards more inclusivity. **Alnoor Ebrahim** similarly describes the strategy reformulation at Miriam’s Kitchen as a transition from an independent “niche strategy” (i.e. providing meals) to a collaborative “ecosystem strategy” that enabled more fundamental change by considering the entire system.

Mainstreaming social sector expertise

Numerous efforts are underway to extend objective consideration of impact beyond social sector experts. New digital platforms are promising to help ordinary donors make effective giving decisions based on hard data. An example is **ImpactMatters**, which employs publicly available impact and financial data from thousands of charities to estimate

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their relative effectiveness within their intended cause. **Charity Navigator**, a leading charity evaluator that used to only focus on transparency, governance and financial sustainability, recently acquired ImpactMatters in order to incorporate impact ratings into its own work.

GiveWell is a platform that directs philanthropy towards poor-country interventions best backed by evidence, using metrics like the number of lives saved per dollar. This is not to say that the developed world is devoid of opportunities to make a difference. Mounting concerns about poverty, inequality and inequities associated with race, ethnicity and gender are proof that there is very much a place for the social sector even in more developed countries like Singapore. It is cheering to see that the Singapore government and its agencies are not only aware of this but also committed to supporting the sector’s vision of “every person empowered to live with dignity and in a caring and inclusive society”.

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