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Features

Why Indian Nonprofits Are Experts at Scaling Up

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Why Indian Nonprofits Are Experts at Scaling Up

THERE MIGHT BE NO BETTER LABORATORY THAN INDIA FOR STUDYING THE CHALLENGES THAT NONPROFITS FACE IN TRYING TO SCALE UP WHEN RESOURCES ARE SCARCE. AND THERE MIGHT BE NO BETTER GUIDE THAN INDIAN NONPROFITS FOR HOW TO OVERCOME THOSE CHALLENGES AND BECOME EFFECTIVE AGENTS OF SOCIAL CHANGE.

✱ BY SOUMITRA PANDEY, ROHIT MENEZES, & SWATI GANETI

Pitched between a forested ridge and the boundless sprawl of Mumbai, the village of Kokanipada is home to 2,000 people, most of whom work as day laborers in India's financial capital. Their children attend the Thane Municipal School No. 50, a cement building consisting of a dozen classrooms. Many of the primary schoolers appear to be undernourished, but on a steamy July day they lifted their voices with joy as a 20-something man named Kartik led them through a *balgeet*—a children's song about a wedding attended by a lizard, a horse, and a cow.

Kartik is one of the Kaivalya Education Foundation's Gandhi Fellows, recruited from India's top universities to spend two years working with the principals of five government schools to help them become more effective leaders and, as a result, improve each school's all-around performance. Many principals have

minimal job-specific training and administrative experience before starting their positions. The Gandhi Fellowship program seeks to fill that gap. Last year, fellows such as Kartik worked with the principals at more than 1,200 schools, potentially impacting the lives of 250,000 children.

It's an impressive number. But in the next five years, Kaivalya, the brainchild of Aditya Natraj, a former finance consultant for KPMG, wants to reach 10,000 schools serving approximately two million children. To do so, its fellowship program will have to get far bigger, while working with far fewer resources than many of its counterparts in the United States and Europe.

In this respect, Kaivalya is like most Indian nonprofits seeking to extend their reach. Every Indian organization that seeks to grow beyond its immediate community must grapple with the twin challenges of scale and scarcity.

More than 250 million of India's 1.3 billion people live on a daily income of less than \$2. For any nonprofit to make a dent in lifting people out

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of poverty, it needs to reach many millions of people in need. At the same time, the Indian government spends just 1.4 percent of the nation's GDP on health care, less than half of what China (3.1 percent) and Brazil (3.8 percent) spend. Government spending on schools similarly trails spending rates in other fast-emerging economies. Add to that mix India's swirling diversity of 150 languages, more than 2,000 ethnic groups, and every major religion, all of which multiply the challenges of reaching marginalized people. There might be no better lab than India for studying the challenges that nonprofits face in trying to grow while stretched for resources.

The good news is that Kaivalya's track record, current practices, and approach to growth suggest that it is poised to succeed. What's more, its experiences hold lessons for other nonprofits in India and beyond. Over the past year, The Bridgespan Group has studied 20 Indian nonprofit organizations, including Kaivalya, that have deftly managed the tension between scale and scarcity and delivered their services to hundreds of thousands and even millions of people. (See "Twenty Nonprofits, Millions Served" on page 21 for more details on each organization.) Our research surfaced five recurring mind-sets for reaching many more people in need:¹

The Denominator Mind-Set. Stay focused on the size of the need, while remaining flexible in confronting it.

The Dignity Mind-Set. To serve many, elevate the humanity of each participant.

The Radical Frugality Mind-Set. When scarcity abounds, reduce costs while stretching impact.

The Innovative Hiring Mind-Set. Tap hidden talent from unexpected sources.

The Collaborative Mind-Set. Make government a partner, not an adversary.

We'll examine them in order and highlight imperatives for success.

THE DENOMINATOR MIND-SET

If you think of a social change effort as a fraction, the denominator would represent the size of the need, and the numerator would represent what the organization is currently accomplishing. India's social innovators put much of their focus on the size of the need. In a country where, for example, more than 25 million children suffer from acute malnutrition and 750 million people lack access to "improved" sanitation facilities, denominator thinkers believe that untangling even one more part of a large, knotty problem creates a lot more value than perfecting a solution that serves relatively few. And if a growth strategy has run its course, they are quick to let it go and search for one that will better suit their needs.

One such denominator thinker is Ramji Raghavan, founder and chairman of Agastya International Foundation, an organization that delivers demonstration- and activity-based science programs to more than 1.5 million rural schoolchildren each

year. Thirty-some years ago, while on a promising career track at Citibank, Raghavan was held up at gunpoint. The experience afforded him a "deathbed view of life." In other words, he began to imagine himself on the verge of death, looking back. What would he remember? He certainly wouldn't revel in memories of his corporate life. He came to believe that his life's last moments would surface a secret dream: to build a rural school that would produce curious, driven students who had the skills and creativity to confront India's most vexing challenges.

Soon thereafter, Raghavan vowed to build his dream school. Never mind that he lacked teaching experience. In 1998, he walked away from his banking career. He got to work and worried later about where the work might take him. And in doing so, he bypassed some of the steps one might associate with the successful founding of a nonprofit: He jumped into the nonprofit sector with no strategic plan and no dedicated donors. He was not an outlier in this regard. Out of the 20 nonprofits that we studied, two-thirds of the founders said they started without full-blown plans and funding commitments. Driven to solve a chronic social problem at scale, denominator thinkers are biased toward action.

Acting before fully planning has worked for Raghavan in times when others might have folded up shop. Consider: With funding support in their sights in late 1999, Raghavan and his team procured a site for their school—170 acres of "wasteland" near the town of Kuppam in the southeastern state of Andhra Pradesh. But soon after that, the dot-com bubble burst. Public companies lost \$5 trillion of market value over the next two years, and any chance of raising private capital turned to vapor. "It was a crushing defeat," recalls Raghavan. "But there was no question of going back to my job."

Instead, after many rounds of brainstorming, Raghavan and his team flipped their model: Rather than attract rural kids to a Taj Mahal-like campus, Agastya would bring the campus to the kids. They outfitted a borrowed van with scientific models and instruments—a science lab on wheels—and drove it to rural government schools in villages surrounding Kuppam. Concepts like gravity, solar and lunar eclipses, and planetary orbits were brought to life from the back of the van. This low-cost, high-reach strategy turned out to be strikingly replicable. In the 17 years since Agastya began its life with one mobile lab, the organization has expanded its fleet to 175 mobile labs operating in 18 states.

Denominator thinkers are so driven that few obstacles deter them. So in addition to having a bias for action, they are also restless, serial innovators. Even as Agastya's lab-on-wheels innovation was reaching thousands of schools, the organization was coming up with Lab-in-a-Box, a science kit that equips government teachers to develop their own approaches to hands-on learning. Next came Lab-on-a-Bike, which cuts costs and extends Agastya's reach to remote schools via a fleet of instructors on motorcycles. Raghavan has also fulfilled his original vision: Agastya's Creativity Lab campus, a center for teaching and learning that includes

13 laboratories, a planetarium, an art and culture facility, and a media lab, spreads across the now-reforested land he bought years ago. The campus takes in 600 visiting schoolchildren every day.

As Agastya's example demonstrates, being a restless, serial innovator also means that India's denominator thinkers are not wedded to a single growth model. When one model hits a wall, India's denominator thinkers are quick to throw it over and devise a strategy that's a better fit for the future. Agastya's Raghavan says he's glad that he failed to win sufficient funding for his original plan. Had he embarked on building an Indian version of England's Eton, he never would have been compelled to discover a far more novel approach to learning: science on wheels, either in its initial form or in today's still-evolving approaches.

Denominator thinkers, of course, can't completely disregard the numerator. Raghavan could never have risen through the management ranks at Citibank if he didn't understand the benefits of careful analysis and thorough planning. He is acutely aware that if an organization doesn't track quarterly outcomes and continually reset the balance between a bias for action and prudent planning, it risks diluting its impact. Other denominator thinkers understand this as well. And so they are careful to set realistic expectations, lest they overextend their capabilities. They

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also pressure-test audacious ideas. They know that if they go too far with a half-baked plan, they are at great risk of letting down the people they seek to support.

THE DIGNITY MIND-SET

When confronted with the daily challenge of serving the masses, it's easy to reduce and compartmentalize the human experience into numbers on a spreadsheet. Organizations such as Aravind Eye Care System, Akshaya Patra, BAIF, Goonj, and NM Sadguru Water and Development Foundation counteract this threat by thinking and acting "small." That is, they organize around a unit of one: the individual participant. They exhibit a "people over program" philosophy by prioritizing each individual's dignity.

For example, Aravind Eye Care System, which annually performs more than 300,000 cataract and other eye surgeries, maintains its nonpaying patients' dignity by viewing each patient as a customer with a choice—those who cannot afford to pay can choose a price point of zero.

Similar is Goonj, which undertakes disaster relief and community building by annually delivering more than 3,000 tons of

secondhand clothes and other used household materials to hundreds of thousands of India's poorest citizens. From its base in New Delhi, Goonj has expanded to 22 states, where it partners with more than 250 grassroots organizations.

Two principles help Goonj and other like-minded nonprofits maintain a real-world connection with the people they serve: First, they imagine the hundreds of thousands of participants as one person. Nearly two decades ago, Goonj's founder, Anshu Gupta, journeyed to the earthquake-devastated village of Jamak in the state of Uttarakhand. He noticed an elderly woman whose home had been flattened. She and some neighbors were boiling water over an open fire when Gupta walked by. Recognizing a stranger who'd come to help, the woman offered him a cup of tea. The implicit message: I have lost everything, but I still have my humanity. When Gupta launched Goonj in 1998, he vowed to treat every participant with the same dignity.

Second, Goonj's staff members, volunteers, and other stakeholders act on the firm, shared belief that people in need don't want charity, they want respect. Gupta remembers that in Jamak, when a truck from an aid agency brought a load of used clothing from India's cities, the relief workers tossed the bales off the back. He was struck by the workers' lack of empathy. And he determined then that instead of

debasement the material by giving it away, he would infuse it with real value. He realized that he could accomplish his goal if he treated urban discards as a form of currency.

Goonj's Cloth for Work program goes into rural villages,

asks people to identify the community's own "pain points," organizes work projects like repairing roads and digging wells, and pays villagers for their labor with used clothing and other much-needed secondhand wares. In this way, villagers earn a valuable commodity, and they also directly improve their day-to-day lives. Case in point: In the Sukhasan village of Bihar, tragedy struck when the Sursar River, swollen by monsoon rains, took the lives of 13 children when they tried to swim to their school on the other side. Soon after that horrific event, Goonj gathered 50 villagers, who in six days built a bamboo bridge that now connects eight villages and hundreds of people.

The downside of maintaining a dignity mind-set is that it can slip into do-goodism—that is, a naïve desire to take on every humanitarian crisis, an approach that can lead nonprofit organizations to spread themselves too thin. Goonj's response is to never stray beyond its core mission, whose logic can be found in what Gupta calls his "theory of meager resources." When bottom-of-the-pyramid people earn clothing or other materials for their hard work, they free up scant income for food, health, or other expenses. "We're in the business of collecting and distributing

clothes so we can build a trash-based, parallel economy,” he says. “In doing that, we replenish people’s resources.”

THE RADICAL FRUGALITY MIND-SET

Given the country’s scant resources, most Indian nonprofits put a lot of focus not just on reducing costs but also on using frugality as a way to scale up. By innovating internal systems and processes, they optimize operational expenses. At the same time, they rein in capital expenditures by utilizing existing infrastructure: Education nonprofits such as Kaivalya partner with government schools; health-care nonprofits such as Karuna Trust ally with Primary Health Centers, India’s state-owned, rural health-care facilities.

Akshaya Patra provides another example. Every school day, Akshaya Patra prepares and delivers hot, fresh lunches to 1.6 million children, at a cost of 13 cents per meal. The Indian government pays 60 percent of that cost. By 2020, Akshaya Patra aims to serve 5 million children, while dramatically reducing or even eliminating its share of the cost. “Here’s my end game,” says Shridhar Venkat, Akshaya Patra’s CEO. “Can we run this program with just the government subsidy, so we can feed as many children as we want? It’s very, very difficult. But we love impossible challenges.”

Venkat is a former vice president of sales at Cisco’s WebEx

model has doubled the capacity of a centralized kitchen while reducing the average capital cost that’s deployed per child by about 30 percent. Rather than spend \$6 million to build two centralized kitchens and double the output, Venkat can achieve the same results while spending just \$4.2 million to build a hub-and-spoke.

Improve, relentlessly, using tangible goals. All Akshaya Patra employees know the critical number: one cent. If they can knock a penny off of the unit cost of producing meals, they can feed an additional 300,000 children per year. By organizing everyone from front-line workers to C-level executives around that simple metric, Akshaya Patra sets a tangible goal for continuous improvement. One recent example: Each month, one centralized kitchen consumes approximately 2,500 kilograms of potatoes. Since the price of potatoes can soar by more than 50 percent in a fortnight due to blight or speculators, Akshaya Patra has begun buying massive numbers of them when prices are low and keeping them in cold storage units to use as needed. The result: reduced costs of nearly 15 percent. That’s another 10,000 children fed.

Invest to build capabilities and stretch resources. Most of the organizations in our study understand that frugal doesn’t mean free. They have learned how to navigate around radical frugality’s chief liability: the tendency to cut back on the wrong things. They

keep their focus on reducing unit costs. And they avoid—at all costs—any cut that might starve innovation and thereby dilute their overall impact.

For example, in addition to recruiting blue-chip executive talent from the for-profit world, Akshaya Patra has invested

aggressively in techniques, such as Kaizen and Six Sigma, that squeeze out waste and defects, as well as software systems for managing inventory and other logistical activities. The total return on these (and other) investments is clear: In August 2016, the organization delivered its two *billionth* school meal.

THE INNOVATIVE HIRING MIND-SET

In India, one of the biggest impediments to growth is the scarcity of people who have the right skills to fill certain types of jobs. Some nonprofits have responded by searching for people in overlooked but promising corners of the talent pool. To make this approach work, these organizations create win-win value propositions.

For example, Aravind recruits most of its female nurses, also known as mid-level ophthalmic personnel (MLOP), from rural communities, where many would otherwise work as day laborers, and trains them. Aravind thus brings the women into the formal economy with all of its benefits, not least of which is a fixed salary. The MLOP, who do everything in the hospitals except diagnose and operate, are a key reason why Aravind has become an unparalleled provider of eye care.

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Communications, and his management team cumulatively has more than a century’s worth of experience working for multinational corporations. Like his peers, he incites his organization to use frugality in productive ways. Specifically, Akshaya Patra seeks to do three things very well:

Optimize capital expenditures. In 2000, Akshaya Patra began its work with one centralized kitchen in Bengaluru, providing midday meals to 1,500 children in five schools. Staff members prepared the meals, then packed them in stainless steel containers and trucked them to schools within a 50-kilometer radius. Today, by standardizing design and using smart technologies, Venkat’s team has increased a single centralized kitchen’s output to 100,000 meals. But it costs \$3 million to build one of those mechanized marvels.

For Akshaya Patra to even approach its near-term goal of reaching five million children, Venkat needed to cut costs while producing more food faster. He believes he’s found a way: treat the centralized kitchen as a “mother hub” and surround it with four “spoke kitchens.” The hub processes the food, and the smaller satellites do the final preparation, packaging, and delivery. The



Twenty Nonprofits, Millions Served

| NONPROFIT ORGANIZATION | MISSION | FIELD SERVED | TARGET PARTICIPANTS | POPULATION SERVED ANNUALLY | MIND-SETS FOR EXTENDING REACH | | | | |
|---|---|---|--|--|-------------------------------|---------|-------------------|-------------------|---------------|
| | | | | | Denominator | Dignity | Radical Frugality | Innovative Hiring | Collaborative |
| Agastya International Foundation | Create hands-on education programs delivered through mobile labs | Education | Disadvantaged children and their teachers | 1.5 million children and 200,000 teachers | ● | ● | | ● | ● |
| Akshaya Patra Foundation | Provide midday meals through government and government-assisted primary schools | Health and nutrition | Children | 1.6 million children in 10 states | ● | ● | ● | | ● |
| Aravind Eye Care System | Offer ophthalmic surgeries through its chain of 11 hospitals | Eye care | Everyone in need of eye care | 3.7 million outpatient visits and 400,000 surgeries and laser procedures | ● | ● | ● | ● | |
| BAIF Development Research Foundation | Foster climate-resilient agriculture, management of natural resources, livestock and watershed development, and agri-horti-forestry | Livelihood | Rural poor | 24 million people in 100,000 villages | | ● | | ● | ● |
| Child In Need Institute | Provide health, nutrition, education, and protection through service providers | Health care | Children and pregnant or lactating women | 60,000 children and pregnant or lactating mothers | | ● | | ● | ● |
| Educate Girls | Improve quality of education, increase enrollment, and improve school infrastructure | Education | Girls | 12,000 schools in 8,000 villages | ● | | | ● | ● |
| Foundation for Ecological Security | Foster ecological restoration, strengthening communities' capacity to self-govern and secure livelihoods based on natural resources | Natural resources and rural livelihood | Rural poor | 4.6 million people in 9,000 villages | ● | | | ● | ● |
| Goonj | Collect and transform discarded clothing and household items as a development resource | Poverty alleviation and disaster relief | Rural poor and indigenous tribal people | 1,500 development activities in 21 states | ● | ● | ● | ● | |
| Gram Vikas | Mobilize, educate, and train communities in water and sanitation, livelihood, health, education, and renewable energy | Water and sanitation, renewable energy | Rural poor and indigenous tribal people | 60,000 people in 1,200 villages in 25 districts in Odisha | ● | ● | | | ● |
| Kaivalya Education Foundation | Provide leadership training for school principals through workshops and ongoing support | Education | School principals | 250,000 students in 1,200 schools | ● | | | ● | ● |
| Karuna Trust | Manage primary health-care centers in partnership with the government | Health care | Rural poor | 1.5 million people in 82 primary health-care centers | ● | ● | ● | | ● |
| Lend-A-Hand India | Work with state government to provide vocational education in all of the state's schools | Education | Government schools | 250,000 students in 2,000 schools | ● | | ● | | ● |
| Magic Bus India | Teach children life skills through an activity-based curriculum that uses sports to change attitudes and behaviors | Education, gender, and livelihood | Children | 400,000 children in 22 states | ● | | | ● | |
| MAMTA Health Institute for Mother and Child | Mobilize community, strengthen health systems and networks, and conduct policy-level advocacy | Maternal and child health care | Rural poor | 3.5 million people | ● | ● | | | ● |
| NM Sadguru Water and Development Foundation | Improve the living conditions of rural and tribal people by developing environmentally sound land and water resource programs | Livelihood | Rural and indigenous tribal people | 3 million people in 1,500 villages | | ● | | ● | ● |
| Professional Assistance for Development Action | Enhance the livelihood of the rural poor by promoting self-help groups and developing locally sustainable economic activities | Livelihood | Rural poor | 1.8 million people in 5,800 villages | | ● | | ● | ● |
| Pratham | Address gaps in the education system | Education | Youth | 7.7 million children in 21 states | ● | ● | ● | | ● |
| Self Employed Women's Association | Organize women workers from the informal economy to improve their livelihood | Livelihood, financial services, and social security | Women | 1.9 million women in 14 states | | ● | | ● | |
| Swami Vivekananda Youth Movement | Develop community-driven solutions in health, education, and community development | Health, education, and community development | Indigenous tribal people, rural and urban poor | 1.5 million people | | ● | | ● | ● |
| World Health Partners | Connect health care professionals and local entrepreneurs to provide health care in rural and under-served communities | Health care | Rural poor | 180,000 people | ● | | ● | ● | ● |

Most of the nonprofit organizations displayed many of these mind-sets, but we have highlighted only those mind-sets that played a key role in extending the organization's reach. In cases where nonprofit organizations have used innovative hiring to manage both a robust pipeline of talent and also costs, we put a tick only against innovative hiring.