



CASE



#3: FINANCING NEW APPROACHES TO SCALE

4 COMMON STRATEGIES TO FINANCE THE RESOURCES REQUIRED FOR INNOVATION

Innovative ideas are great ... but without the money to back the people and “things” needed to design and test them, they can’t go very far. Here are 4 common ways that social enterprises tackle the money challenge:

1. BUILD A RESERVE OF FLEXIBLE CAPITAL

Ideally, an enterprise would have access to flexible capital – funding not tied to pre-determined actions and outputs – to allow it to test new approaches as it innovates to scale. Tactics to maximize it include:

- **Build R&D line item into grant proposals.**

Some enterprises have built a line item into grant proposal budgets (e.g., ~5%) which they label as R&D to continue to iterate and innovate. While the use is restricted to R&D, it can be flexible within.

- **Fundraise around a dedicated R&D or Innovation Fund.**

Water.org did this with their “New Ventures Fund,” which they created and ran to support R&D around new innovations. Key to their fundraising strategy was sharing a clear vision for leveraging innovation to scale and providing examples of past innovation efforts and learnings. Read more in [Financing Scaled Impact](#).

2. USE LOW-COST DESIGN & TESTING APPROACHES

- **Start Small: tinker, MVPs, leverage existing resources.**

Find examples in Ann Mei Cheng’s [Lean Impact](#) book or this article: ["Twin Engines for Propelling Social Impact"](#).

- **People: leverage pro-bono opportunities, Board advisors.**

From corporate executive “fellowship” programs to MBA consulting programs, many opportunities exist to find free or inexpensive talent and capacity. And don’t forget the expertise and resources on your Board!

3. BRING IN NEW FUNDING – FROM EXISTING OR NEW SOURCES

- **From Existing Funders: build on established trust with a pitch; ask for connections to other funders.**

Be clear on your “why” for experimentation, the hypotheses (with clear targets) you are testing, and how the innovation builds upon core competencies. Address risks and trade-offs, if any, for your core model.

- **From New Funders: find those aligned with new element of your innovation, or specialized funds.**

Find funders aligned with new aspects of your innovation; e.g., Hill Center was newly able to target edtech funding when scaling through its tech-enable reading program.

Be strategic about who you target; ensure they are aligned with your impact area, stage, funding amount. Common sources of innovation funding include high-net-worth individuals, crowdfunding, accelerator programs, prizes, and specialized funders like the [Studio at Blue Meridian](#) and others.

4. GENERATE SOME OF YOUR OWN REVENUE

Find more earned revenue examples and lessons in [Financing Scaled Impact](#).

- **Ensure alignment with mission and core competencies.**

Boys & Girls Clubs of the Crescent Region knew that they offered superior afterschool programming and that demand existed for this service among families who could afford to pay market rate. Entering this market helped to cross-subsidize and fuel growth for the Clubs’ offerings in lower-income areas.

- **Proceed with caution: it’s a powerful tool, but not a panacea.**

Deploying an earned revenue approach requires much trial and error, org infrastructure changes, tensions between mission and money, and often takes more effort than you expect.

Thank you to [Meg Rudy](#), [DRK Foundation](#) and [Carter Clark, Boys & Girls Clubs of the Crescent Region](#) for their insights

For more: [“Financing Scaled Impact,”](#) [Scale Stories repository](#), and [CASE’s website](#)