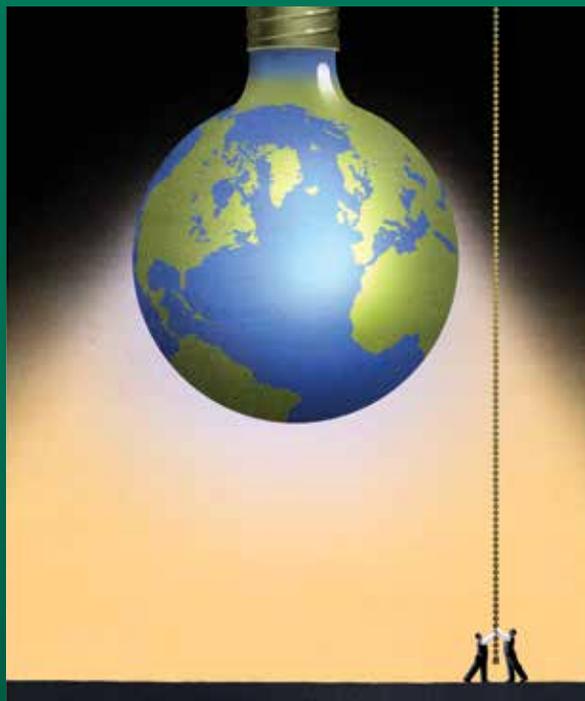


MAKING A DIFFERENCE

BCG'S PARTNERSHIPS AND PROJECTS
FOR SOCIAL IMPACT

2014 EDITION



BCG

THE BOSTON CONSULTING GROUP

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 81 offices in 45 countries. For more information, please visit bcg.com.



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PERSONAL REFLECTIONS ON BCG'S SOCIAL IMPACT WORK

THE BOSTON CONSULTING GROUP has a long tradition of engaging in social impact work. Social impact is part of the fabric of our firm and has been since our founding. In 1963, BCG's first CEO, Bruce Henderson, took a clear stance that we had a responsibility to generate impact, value, and well-being for our clients and for the larger community. We were committed then—and are still—to making the world a better place through our work.

Underlying our social impact engagements is the belief that the same insights and approaches we use to solve business challenges can be applied to society's challenges. We are resolute in helping our clients achieve a comparative advantage—making the most strategic use of resources, investing for impact, and creating positive change. While this is important to all clients, it is perhaps equally, if not more, critical in the social sector—where human need is greatest but limited budgets and uncertain returns are inherent.

BCG's ability to create positive change with our ideas, and to orchestrate that change despite enormous complexity, is truly powerful. We are proud of the very tangible contributions we've made in our work with social sector partners in diverse areas such as health, development, education, and the environment. A commitment that was made by one man more than 50 years ago is now carried out by thousands who combine their ideals with deep expertise and broad capabilities.

This report presents an overview of our social sector work in 2012 and 2013, along with some of the methodologies and tools we use to drive change in specific areas. It features a series of articles and interviews that capture our thinking and the insights we've gained from our work.

We hope that you will find this report as motivating as we do. If you are interested in learning more about the organizations BCG supports or about our social impact practice, please contact us at social_impact@bcg.com.

Rich Lesser
President and CEO

Wendy Woods
Global Leader, Social Impact Practice

SHAPING THE FUTURE. TOGETHER.

BCG supports society through our work with the private and public sectors and our social sector partner organizations. Our ability to create change with our ideas, and orchestrate that change despite enormous complexity, is truly powerful. BCG's commitment to social impact is as important now as ever, and so is our aspiration to change the world.

—Rich Lesser, President and CEO

THE NUMBERS SPEAK FOR themselves:

- More than 800 million people in the world are hungry. The volatility of global food prices means that vulnerable populations are at ever-greater risk.
- Nearly 18,000 children under the age of 5 died every day in 2012. The highest rates of child mortality exist in sub-Saharan Africa, where 1 in 10 children die before the age of 5—a rate more than 15 times the average in developed countries.
- More people are living in slums—an estimated 860 million people in 2012, up from 650 million in 1990 and 760 million in 2000.
- Nearly 775 million adults—two-thirds of whom are women—cannot read or write. And gaps in education are not limited to developing countries. In the U.S., only two-thirds of students are reading at their grade level by the fourth grade. Children who aren't reading at grade level by this point are four times as likely to drop out of high school.
- Currently, 1.6 billion people live in countries and regions with absolute water scarcity, and the number is expected to rise to 2.8 billion people by 2025.
- Forest cover has been reduced to approximately 30 percent of the earth's land area today, and it is estimated that 11 percent of all gas emissions are the result of deforestation.

And these are just some of the challenges facing global society. Still, encouraging signs of improvement and hope abound:

- The number of new HIV infections per year continues to decline, and advances in antiretroviral therapy are reducing the number of AIDS-related deaths.
- Malaria deaths have fallen by more than 40 percent globally since 2000. This has averted more than 3 million deaths from malaria between 2000 and 2012.
- Between 1990 and 2010, more than 2 billion people gained access to more sanitary drinking water. The global target of halving the number of people without

access to cleaner water has been met—five years ahead of schedule.

- In developing regions, enrollment in primary education reached 90 percent in 2010.

At BCG, we believe it is our responsibility to help address the challenges of our clients and of society at large. Our social impact work is about making a positive, tangible, and lasting difference in our world.

BCG's Approach to Achieving Social Impact

We help social sector organizations around the world enhance their effectiveness—and increase their impact—by sharing our expertise and insights. When we bring the best of BCG to these organizations, we achieve more together than any of us could have accomplished alone. By working closely with our social sector partners to help develop their organizational capabilities and more effective solutions, we make real progress toward solving the world's most pressing social problems.

Working at the local, regional, and global levels, BCG focuses on eight areas: environment, development, health, education, community, culture, investing for impact, and business and the social sector. (See the exhibit “BCG's Social Impact Work Covers a Spectrum of Human Needs.”) Our work addresses the full hierarchy of needs, from providing the basics of food and clean water in the poorest nations

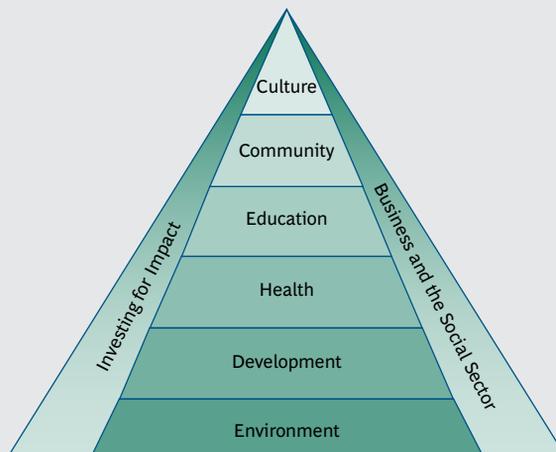
to supporting the arts and culture in developed societies. During 2012 and 2013, BCG completed more than 500 projects, working with over 200 organizations around the world, including multilateral organizations, nongovernmental organizations (NGOs), foundations, governments, and businesses.

In the areas of education, development, health, and the environment, BCG fosters long-term relationships with the following global organizations:

- Teach For All, focusing on improving education around the world
- World Food Programme and Save the Children International, working to address the issues around hunger and children in the developing world
- The Bill & Melinda Gates Foundation, focusing on health, development, and education issues
- The WWF, working to improve environmental sustainability

Locally, we strive to have a direct, measurable impact on the communities in which we live and work. Each BCG office chooses which issues to focus on and which organizations to partner with. Some of these efforts are described in the third section of this report. Besides helping to deliver tangible results around the world, BCG's social impact

BCG's Social Impact Work Covers a Spectrum of Human Needs



Source: BCG's Social Impact Practice Network.

work supports the intellectual and professional development of our own staff. More than 1,450 employees worked on social impact projects over the past two years; annually, about 14 percent of our worldwide consulting staff are involved in social impact projects. Many of our employees also participated in a wide range of volunteer efforts. (For more about these efforts, see the section “Other Social Impact Activities.”) Our people emphasize how personally rewarding they find the work, and we are never short of colleagues who are eager to get involved.

BCG’s social impact work strengthens us as a firm, helps us attract and retain the world’s best talent, and allows us to collaborate with clients and global and community leaders to better meet the needs of society.

Delivering Impact

Achieving real impact is the ultimate goal of BCG’s social impact work. We define “impact” in three ways: meeting the objectives of our *project work*; enhancing the *organizational effectiveness* of our social sector partners; and making measurable improvements towards specific *global challenges*. Let’s look at each of these more closely.

Project Work. Projects with specific goals are the basis of our work in the social sector. A recent example is our work with the WWF’s Baltic Ecoregion Programme to identify the key challenges facing the Baltic Sea, which were found to be eutrophication (excess nutrients in

the water—the result of fertilizer and sewage runoff—which kill marine life through oxygen deprivation), hazardous substances, and overfishing. BCG developed an action plan to address these challenges, as well as quantifying the economic impact of a healthy Baltic Sea to the region. Together with the WWF, we produced a report on the current state of the Baltic Sea along with recommendations for its sustainable health in the face of two future scenarios. The report has generated significant public interest and has been a catalyst for the public and private sectors in the region to collaborate to restore the Baltic Sea.

Organizational Effectiveness. By collaborating on multiple projects, BCG supports our social sector partners in increasing their organizational effectiveness and delivering better outcomes over time. For instance, WWF became a global partner in 2012, the year BCG began a long-term effort to support WWF’s transformation to a more integrated organization and improve its global capabilities. Over 18 months, BCG built a strong, fact-based case for change in order to develop alignment among the country offices. After gaining approval from WWF’s leadership team for an ambitious change program, we began implementation, and early results are promising. Commenting on our work, Jim Leape, who served as Director General of WWF International from 2005 to 2014, said, “BCG has worked seamlessly with us both globally and locally. They have played a fundamental role in identifying issues, structuring topics, and driving concrete output. More than that,

though, they have been an invaluable sounding board as we work through the dynamics and sensitivities that always accompany change like this.”

Global Challenges. BCG is helping to address a number of key challenges in global development and health through our work with several social sector partners. For instance, we worked closely with the World Food Programme (WFP) and the Children’s Investment Fund Foundation (CIFF) to design, pilot, and implement an innova-



Over the past 16 years, BCG’s business@school education initiative has introduced 20,000 high school students to business and entrepreneurship at schools in Germany, Austria, Italy, Switzerland, and the United States.

tive approach to reduce stunted growth in children under the age of two. Stunted growth results from chronic undernutrition and affects mental and physical development. Stunting cannot be treated; it must be prevented. This culmination of several projects, if successful, will serve as a model for further programs in stunting reduction implemented on a global scale. A major outcome for this effort will be providing quantified evidence that targeted interventions can work.

Similarly, in the fight against malaria, we've been working with the Bill & Melinda Gates Foundation to help design a long-term malaria-eradication strategy that focuses on using the current tools of diagnostics, drugs, and mosquito-bite prevention more effectively and on identifying new treatment and prevention tools worthy of investment. Eradicating malaria will ultimately save millions of lives and billions of dollars.

In The Words of Our Clients

BCG actively seeks client feedback after all of our engagements so that we can better understand what we did well and what we could improve. We are enormously gratified when our clients mention the impact and fellowship that our work has generated. Here we have included examples of the feedback that we've received.

"Save the Children's long-standing relationship with BCG, which dates back to the 1990s, gave us confidence globally to move forward with the organizational transformation. It is one thing to have wonderful ideas, but you need to have the capabilities to see them through."

—Jasmine Whitbread, CEO,
Save the Children International

"We've been incredibly privileged to have BCG as a partner...it's incredibly useful to have a team of people who can tap into all the knowledge and best practices that exist out there, and who can be real thought partners to us in getting up the learning curve about how to stretch our global network."

—Wendy Kopp, CEO, Teach For All

"The joint WFP-BCG work has created a foundation upon which the lives of millions of people

will change. Ensuring that the Indian government's Targeted Public Distribution System delivers on its goals efficiently and that intended citizens receive the subsidized food they are entitled to is a tremendous task. The partnership with BCG has allowed us to take on this challenge."

—Michael Jensen, Deputy Country Director,
WFP India

"By highlighting the economic implications of a healthy Baltic Sea, BCG has helped WWF frame a new debate about the future of the sea with the private and public sector alike—and thus has helped WWF to raise these issues high on the agenda, exactly where we need them to be."

—Pauli Merriman, Programme Director,
WWF Baltic Ecoregion Programme
(Sweden)

"We had a vision but we didn't know how to achieve it. Working with BCG helped us align our efforts, focus on the same objective, and define a clear strategy. BCG's way of working made the process very effective and helped us reach our objective."

—Ignacio Pinto, COO, TECHO (Chile)

"Our organizations are completely unrecognizable today from what they were 14 years ago. BCG helped us translate our ideas and our aspirations into a program for reform. That is why BCG's involvement from a strategic point of view is so critical for us."

—Noel Pearson, Chairman,
Cape York Group (Australia)

"BCG's continued partnership with Commit! was instrumental not only in establishing focus and strategy for our early literacy collaborations with 14 elementary schools but also in dissecting numerous data points to identify what's working on the campuses, so that we could help spread great practices. Thanks to BCG's leadership, several high-need schools saw some of the highest growth in reading scores in the Dallas [Independent School District], and the South Oak Cliff schools were number one in growth when we account for leadership in place the next school year. In just one year, BCG has laid the foundation for an innovative and scalable approach to improve early literacy education throughout the region."

—Todd Williams, Executive Director
and Founder, Commit! (U.S.)

Other Social Impact Activities

Emergency Response. When disasters strike, BCG does what it can to support the response efforts of those partner organizations that have emergency relief capabilities. Where possible and feasible, we make BCG employees or teams available to our global social impact partners. BCG matches employee donations, outside of our regular donation matching, to organizations responding to the disaster.

Although emergency response is vital, BCG also commits to longer-term rebuilding in areas that have been hit hard by major disasters. As an example, we have continued to work with local organizations in Japan as the country strives to recover from the devastating 2011 earthquake and tsunami. In 2013, a BCG team worked with Ninohe City to create an economic strategy to improve the local economy and increase employment opportunities.

Local Volunteer Activities. BCG's offices around the world organize a variety of volunteer initiatives for employees. Staffers from our Mexico offices participate in "social impact weekends," visiting the elderly in their homes and improving food pantry facilities. Many offices host a Community Service Day, during which employees volunteer with local organizations. For example, the Seoul and Moscow offices supported local orphanages, the Philadelphia office renovated and painted a homeless shelter, and the entire staff of the Paris office participated in a fundraising event for the European Leukodystrophies Association.

BCG also encourages interested employees to serve on the governing and advisory boards of nonprofit organizations. For instance, BCG's Chicago and Toronto offices run a Board Fellows program that matches BCG consultants with the boards of nonprofit organizations.

In Germany, Austria, Italy, Switzerland, and the United States, BCG volunteers coach high



Many BCG offices host a Community Service Day, during which employees volunteer with local organizations.

school students on business topics and teach them entrepreneurial skills through BCG's business@school program.

People Programs

BCG employees have several ways to get involved with social impact work. In addition to project and volunteer work, BCG offers three tailored programs for employees interested in dedicated and longer-term commitments:

The Social Impact Immersion Program. This program deploys a small group of high-performing employees to social impact projects at the global and local levels for 9 to 12 months. Program members are staffed on projects in our global portfolio of social impact work and on local projects through their home offices. They also become involved with the Social Impact Practice Network's knowledge-building efforts.

Social Impact Secondment. This program enables select employees to work with one of our global partners in the social sector for up to a year while remaining employed at BCG. Although positions vary depending on the needs of our partner organizations, recent secondments have included working with WWF in São Paulo and Cape Town on global strategy and water stewardship; with WFP to address child hunger; and with the Bill & Melinda Gates Foundation on digital applications for agriculture.

Social Impact Leave of Absence. Employees may also take a leave of absence to work at a social sector organization of their choice for up to 12 months. Our global team facilitates these arrangements with a wide network of NGOs and foundations. Recent participants have worked on global development strategy in Africa with TechnoServe, which empowers people to build businesses that create jobs; in Africa with the Clinton Health Access Initiative, Partners in Health in Lesotho, and the Ethiopian Agricultural Transformation Agency.

The Goals and Purpose of this Report

The purpose of the *Making a Difference* report is to provide an overview of our social impact work in 2012 and 2013, share some of the insights we've gained from this work, and encourage an ongoing discussion about how to create meaningful impact in the social sector.

Part I of the report describes examples of the approaches and tools that drive change in addressing some of the world's most challenging needs.

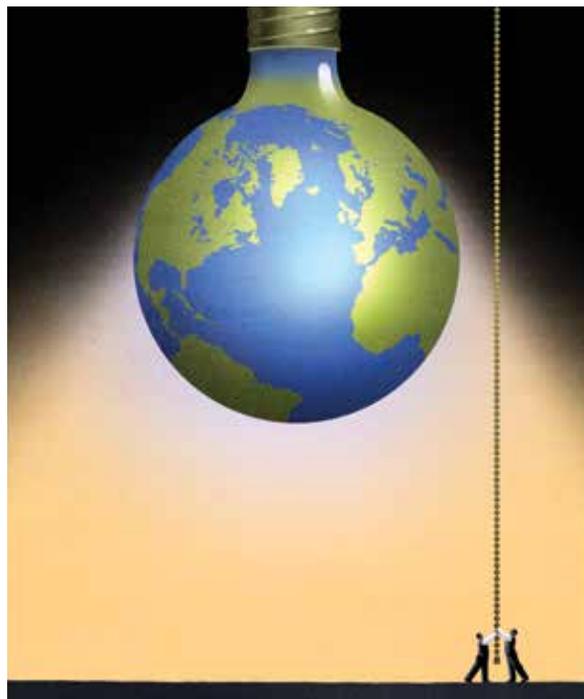
Part II features insights from two BCG social impact partners, Jeff Raikes, former CEO of the Bill & Melinda Gates Foundation, and Ertharin Cousin, Executive Director of the World Food Programme.

Part III highlights some of BCG's social impact projects from 2012 and 2013.

We hope you'll find this report both interesting and inspirational. BCG is committed to making a difference, and we continually seek ways to increase our impact. We welcome your ideas, comments, questions, and suggestions. Please share them with us at social_impact@bcg.com.

PART I

PERSPECTIVES FROM OUR SOCIAL IMPACT WORK



THE ECONOMIC CASE FOR REVITALIZING THE BALTIC SEA

THE BALTIC SEA IS in critical condition, with several environmental challenges threatening its future. First, wastewater and agricultural runoff from fertilized fields is leading to *eutrophication*, a process that decreases the oxygen critical to marine life and causes severe algal blooms. Second, hazardous substances such as flame retardants, dioxins, and pharmaceuticals are resulting in *contamination* of the waters and driving up toxin levels in the fish that are hauled in. Third, *overfishing* has depleted important commercial fish stocks such as cod, herring, and sprat, despite some recent progress in addressing the issue. The strong projected growth of the region will only place more demands on the sea's limited resources unless actions are taken to address these problems and restore the waters to health.

At the same time, however, the Baltic Sea region—which includes the countries of Finland, Sweden, Denmark, Germany, Poland, Lithuania, Latvia, Estonia, and Russia—is particularly well positioned to take on a global leadership role in responding to these types of environmental challenges. Politically stable and not plagued by poverty, war, or other major conflicts, this dynamic region is also financially strong and boasts well-educated people, a relatively low population density, a solid commercial base, and a reputation for innovation. Given these characteristics, it has the potential to become a hub for innovation in the

so-called blue and green technology solutions that have a positive impact on the environment, including both the sea and the land.

Capitalizing on the Opportunity

The Boston Consulting Group recently joined forces with WWF to evaluate how best to conserve and restore the health of the Baltic Sea. In the resulting report *Turning Adversity into Opportunity: A Business Plan for the Baltic Sea*, BCG analyzed the likely impact that two different scenarios for the future would have on the region's three key industries: tourism, agriculture, and commercial fishing. The two scenarios assessed were "Clear Waters," a cleaner and functioning Baltic Sea, and "Shipwrecked" a further accelerated degradation. Drawing on our analysis, we determined that by 2030, under the Clear Water scenario, the region could add 550,000 more jobs and €32 billion in economic value than it would achieve in the Shipwrecked scenario—by decreasing the region's ecological footprint and promoting collaboration among the Baltic countries' governments and industry sectors.

An additional opportunity exists in that the blue and green solutions needed to help the region address its environmental threats are the subject of rising global demand, making the commercial benefits of developing these solutions potentially enormous.



In the Baltic region, the demand for improved wastewater treatment is strong since countries there still release on average 22 percent of their wastewater, untreated, into the sea.

Wastewater treatment, for instance, is an area of major potential growth both in the region—and beyond. In the Baltic region, the demand for improved wastewater treatment is strong since countries there still release on average 22 percent of their wastewater, untreated, into the sea. Similarly, China plans to invest €43 billion over the next five years to improve its urban wastewater infrastructure.

Five recommendations could turn the tide and generate improved, sustainable health for the Baltic Sea.

Other commercial opportunities related to the three challenges of eutrophication, contamination, and overfishing range from developing entirely new products and services to providing existing ones more efficiently or sharing best practices among countries. (See the exhibit, “The Baltic Sea’s Environmental Challenges Present New Business Opportunities.”) For instance, one way to reduce water pollution from agricultural runoff would be to tailor the distribution of nutrients to individual crops. Besides reducing the flow of excess nutrients into the water, this approach would reduce input costs and increase yields.

Another innovative approach would be to produce biogas from the algae growth caused by eutrophication of the sea. Additional areas that hold promise include systems that would minimize the use of toxins and improve safe handling of them.

Recommendations for Moving Forward

Although some progress has been made, the environmental decline of the Baltic Sea continues. The health of the region relies on a complex governance arrangement that involves the national governments of all nine coastal countries, local and national laws, regional conventions, and directives and legislation by the European Union. The Helsinki Commission (Helcom) works to protect the Baltic Sea environment by encouraging cooperation among the governments of the Baltic nations and the European community, but Helcom has no binding authority, and any agreements are left to the individual countries to implement. Moreover, implementation of the agreed-upon actions to halt the degradation of the Baltic Sea under the Helcom “Baltic Sea Action Plan” are currently behind schedule.

Drawing on our analysis, BCG has identified five recommendations that—taken together—could turn the tide and generate improved, sustainable health for the Baltic Sea:

Focus on high-impact initiatives. To avoid diluting efforts and investments, create a clearly prioritized agenda that focuses on the initiatives that address the key problems of eutrophication, contamination, and overfishing. To tackle eutrophication, minimize nutrient leakages, provide incentives for reducing fertilizer use, and improve wastewater treatment. To address contamination, ban toxic substances and support the development of harmless substitutes. To reduce overfishing and install long-term management plans for all major fish species, set a target of zero for unwanted catches and discarded fish, and limit subsidies to the fishing industry.

Defining sustainable solutions requires a broad, cross-industry approach.

Empower regional bodies and increase accountability. Without authority and accountability, meaningful progress is unlikely.

Find ways to empower Helcom and other regional bodies to enforce action, independently track progress, and optimize regionwide investments—and hold national stakeholders accountable for implementing the actions that they’ve already agreed to. Civil society and the public and private sectors must work in partnership to hold national authorities more accountable by increasing public pressure to act and to honor their commitments.

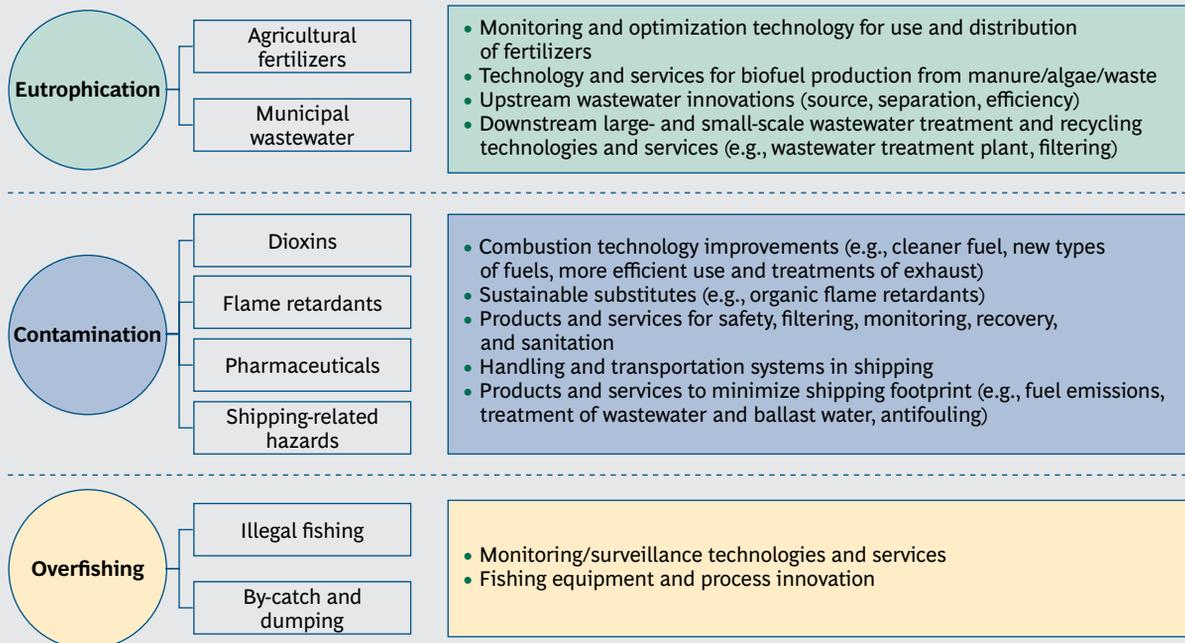
Take an integrated, coordinated approach. Defining sustainable solutions for the region requires a broad, cross-industry approach and must also involve prime ministers as well as the national ministries of finance, enterprise, and labor. Devise ways for legislators, environmental scientists, and corporate representatives to collaborate closely at the early stages of policy development. Any proposed solutions must consider not only the environmental impact but also the social and economic aspects as well.

Drive innovation with commercial incentives. Combining legal frameworks with reward and

The Baltic Sea’s Environmental Challenges Present New Business Opportunities

Turning adversity ...

... into a wide array of potential business opportunities



Sources: Expert interviews; BCG analysis.

sanction systems can encourage the development of solutions and minimize behaviors that hurt the Baltic Sea. For instance, industries, scientists, and universities should receive incentives and support designed to encourage their collaboration and the creation of new ways of approaching the problems of eutrophication, contamination, and overfishing. At the same time, unnecessary government-imposed costs and hurdles for entrepreneurs should be removed since they might curtail technology development and innovation that can be shown to benefit the Baltic Sea. Also, environmental costs should be linked more closely to their source—for instance, by consistently introducing a tax on artificial fertilizers.

Transform the region into a hub for blue and green technology. Strategic investments can raise the rate of innovation and commercialization of ideas. Create vibrant markets by combining national governments' strong commitment and funding with the cutting-edge research and commercial activities of multinational companies and innovative start-ups alike. Explore public-private partnerships to leverage resources and share risks, and use public procurement to stimulate innovation by including the impact on the Baltic Sea as a parameter for vendor qualification. Capture knowledge from other regions—such as Singapore—that have successfully overcome environmental problems and developed world-class solutions.

Learning Lessons from Singapore

Singapore's transformation from a water-rationing nation to a commercially viable hydrohub is an example of how environmental challenges can be turned into opportunities. In the 1960s, water shortages, polluted rivers, and poor sanitary conditions were key public-health concerns in Singapore. Today, not only does the country provide sustainable supplies of clean water to its people, but it also has turned its technology-based environ-

mental solutions into profitable businesses—and even exports its expertise. Since 2006, about 50 new companies have been formed in Singapore, 6,000 jobs have been created, and the number of research centers has increased from 3 to 25.

A driving factor behind Singapore's success is the strong and ongoing cooperation between its public and private sectors. To promote the development of leading-edge technologies, the government strategically invests in research and actively supports the innovation efforts of industry.

The Baltic Sea region has similar potential to become a global leader in technology-driven environmental solutions. By reframing its challenges as economic—rather than environmental—the region can clearly show the negative impact of polluted waters on tourism, commercial fishing, and other industries—and the positive benefits of a clean water scenario.

By reframing its challenges as economic, the region can clearly show the negative impact of polluted waters.

As Singapore learned, success requires a shared vision of the future, along with government commitment, broad-based coordinated efforts, and ongoing collaboration between the public and private sectors.

This article was contributed by Fredrik Lind and Nina Källström. Fredrik Lind is a partner and managing director in the Stockholm office of The Boston Consulting Group. Nina Källström is an associate in the firm's Helsinki office.

MANAGING CHANGE AT SAVE THE CHILDREN

SAVE THE CHILDREN IS the world's leading independent organization for children, working in almost 120 countries. Established in 1919 to feed children facing starvation after World War I, the nonprofit organization has improved the lives of hundreds of millions of children around the world. Save the Children continues to work to save children's lives, to fight for their rights, and to help them fulfill their potential. Through its network of partners, the organization can scale up assistance as needed—from 100 specialized staff members to thousands of volunteers—in a matter of days. When the massive earthquake hit Haiti in 2010, for instance, Save the Children already had 400 staff members in the country—and they initiated response activities within hours. Over the next few days, Save the Children brought in about 75 members of its rapid-deployment team from around the world, and within weeks it had more than 1,000 people working with the earthquake victims.

Despite successes such as these, however, leaders at Save the Children believed that the organization could have an even greater impact if it restructured to better meet the needs of a changing world. The organization had long operated as a loose alliance of member countries that operated independently and didn't always have the same objectives or strategic priorities. In Ethiopia alone, Save the Children had seven separate

offices, each run by a different member country. This weakened the organization's ability to speak with one voice and to work effectively with governments, nongovernmental organizations, and other partners. Most important, the lack of alignment was diluting Save the Children's vital work for children. All the member countries agreed about this sobering reality—and the need to correct it.

Driven by the overarching goal of having a greater impact on the lives of children around the world, Save the Children embarked on a major transformation, drawing on proven change-management techniques from the private sector.

A Vision for the Future

Committed to the need for change, the member countries worked together to develop a shared vision of a unified organization that would speak with one voice and deliver greater impact. This vision became the driving force for change, guiding Save the Children through the inevitable negotiations, compromises, and difficult decisions.

At the heart of the transformation was a new entity—Save the Children International—that would bring all the international programs together within a single line-management structure. In the past, the international programs of the independently oper-

ating member countries were managed by more than 20 regional offices. These were consolidated into just seven regional offices. (See the exhibit, “The New Model Has a Single Global Center and Seven Regions.”) The new model would also allow staff members to respond more quickly to program needs by giving them greater freedom to make decisions at the frontline.

The shared vision, new organization, and coordinated leadership allowed Save the Children to achieve four key benefits: greater alignment through a shared vision, values, and objectives; a globally coordinated voice; better mobilization of resources and expertise; and more effective and efficient operations.

Greater Alignment

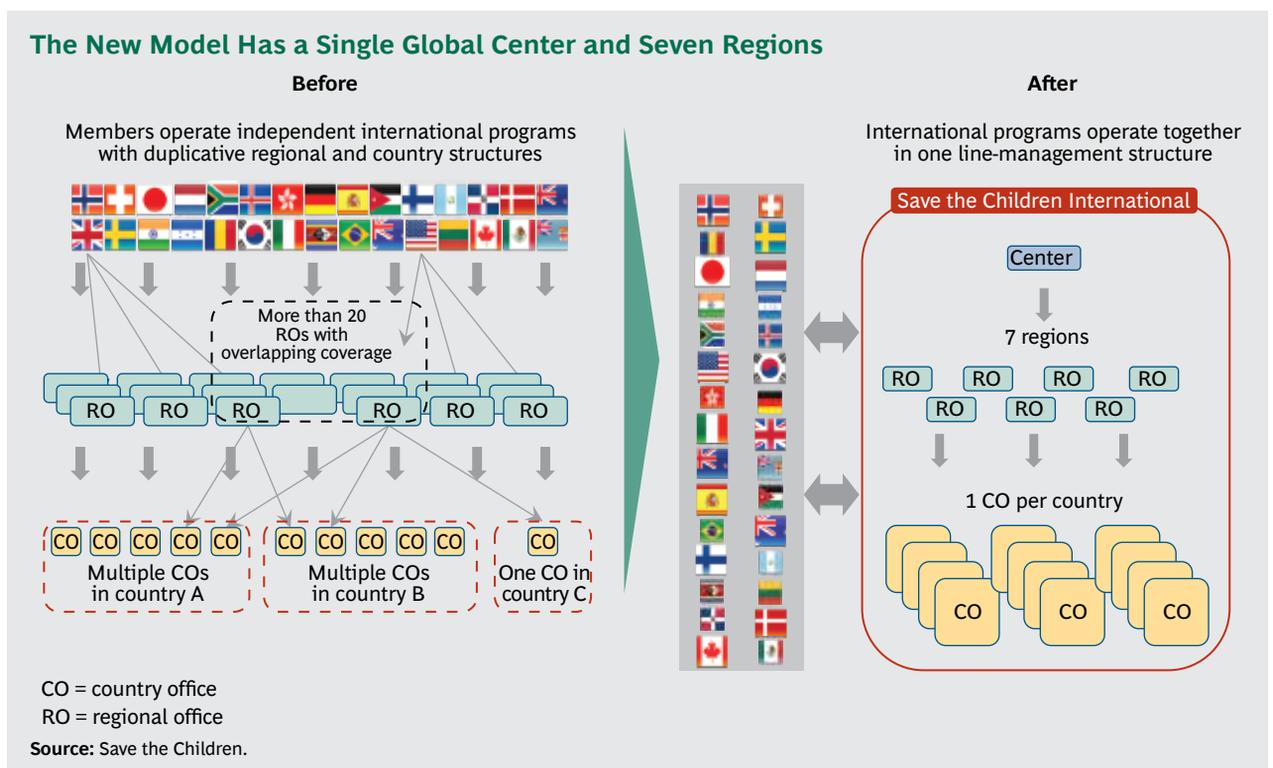
The shared vision, values, and objectives serve as a compass to help direct Save the Children’s efforts. Member countries now have an opportunity to come together to discuss and agree on priorities and to debate which activities to pursue and where to direct their resources. At the same time, they’re sharing their expertise and bringing more focus to their efforts. For instance, after the 2011 floods in Cambodia, Save the Children

members worked together to address the educational needs of children whose schools had been destroyed. One member had more expertise in humanitarian response, while another had a closer relationship with the country’s government. By pooling their strengths, members were able to quickly set up temporary schools in homes and public buildings, and even to drive change in government policy. Now Cambodia’s schools are required to plan for humanitarian crises by identifying temporary learning spaces in advance of disasters rather than responding after the fact.

Although still in its early days, Save the Children’s greater alignment is already delivering tangible results. In 2012, the organization responded to 77 humanitarian crises—up from 53 in 2011 and more than in any previous year.

A Globally Coordinated Voice

Advocacy on behalf of children is an important aspect of Save the Children’s heritage. Before the transformation, the member countries talked to governments, policymakers, and other NGOs at different times about different things. Members were also communicating different messages to the media. Now,



with communication efforts centrally coordinated, the results have been impressive. In 2012, Save the Children coordinated a global campaign against malnutrition and hunger, speaking to millions of people worldwide and influencing world leaders on the issue. More than 20,000 runners in 45 countries took part in a global Race for Survival—the biggest child-participation event Save the Children has ever set up. It was also the first public event in which girls and boys in Afghanistan ran side by side. A one-day global Tweet chat spanned 12 time zones and reached 5.2 million followers.

Without the coordinated global presence of Save the Children, the campaign and race wouldn't have achieved the same degree of scale and visibility. The transformation allowed Save the Children to speak more loudly and reach more people.

Better Mobilization of Resources and Expertise

Another priority of the transition was to increase sharing of expertise and knowledge so that teams don't reinvent the wheel for each project or duplicate efforts throughout the organization. Moreover, efforts in education, health, child rights, child protection, and other key areas are now centrally coordinated to ensure that strategies are consistent and resources are optimized.

The new organization also makes it easier to work with corporate partners and to leverage their resources. For example, being part of a global organization helped Save the Children Canada secure a five-year \$39.8 million partnership with the MasterCard Foundation (MCF) to support education for young people in five African countries. This is the largest grant MCF has ever given to an international NGO for development work. MCF was interested in a partnership with Save the Children because of the organization's global network of education experts, the combined efforts of three members, and Save the Children International's capacity to deliver. This program was designed jointly by the MasterCard Foundation and Save the Children and aims to support 45,000 young people through education and into employment.

More Efficient, Effective Operations

One of Save the Children's critical problems was a lack of consistency and standardization across the member countries in key processes and systems such as financial reporting, IT, and human resources. Several members had different fiscal year-end dates, which added to the confusion. Translating, updating, and consolidating financial data was an onerous task and a heavy administrative burden—but essential to get right to ensure maximum focus on what really mattered: implementing quality programs for children.

Lack of standardization was another problem. Quality and effectiveness varied substantially from country to country. Countries that were pilot testing the new model feared that until these differences were addressed, real progress would be hampered. Besides adoption of the same fiscal year by all member countries, processes and systems were standardized in two critical areas: financial management and annual planning and budgeting.

Applying Change Management Principles

Implementing this degree of change in a relatively short period was an enormous achievement. To succeed, Save the Children looked to the private sector for insight and applied proven change-management principles. These included the following:

Create a shared vision. Many change efforts fail because of a lack of alignment among the organization's leaders on goals and how to achieve them. These problems typically stem from an absence of vision and a lack of clarity as to why change is necessary. Save the Children gained agreement on the need for ambitious change before moving forward. And by involving all the member countries in developing that vision, the organization ensured that all parties felt a sense of ownership—and a commitment to the program's success. Having a shared purpose that everyone believed in—increasing Save the Children's impact on behalf of children—was crucial through the ups and downs of the change process.



In 2012, Save the Children responded to 77 humanitarian crises.

Build momentum with early wins. Save the Children was flexible about how to roll out the changes to the country offices, moving quickly in countries that were ready—such as Nepal and Afghanistan—while allowing others to come later. The early, high-profile successes proved to the skeptics that the new model would work and that the lessons learned could be applied to other offices to keep the program from stalling.

Shorten time to results. Many change efforts ultimately fail because they take too long and energy flags, or leaders turn their attention to other priorities. Save the Children made the decision to make rapid implementation a priority, with the changes almost fully implemented between January 2011 and December 2012. This ambitious timeline drove a sense of urgency and ensured that there were always frequent and tangible successes to report. This energized the organization, boosted morale, and ensured that momentum continued to build.

Commit sufficient resources. Many organizations undermine their change efforts by failing to commit enough full-time people. By assigning a critical mass of dedicated staffers, leaders send a clear message throughout the organization that the transformation is a priority. That commitment greatly increases the odds of success. Save the Children committed 18 full-time change managers on the frontline, supported by a project management team of as many as 14 people at a time. With sufficient resources, change programs gain traction more quickly and show results sooner, which helps

build momentum and enthusiasm.

Communicate clearly—even when the news is bad. A strong and ongoing communications plan is important to maintain program visibility, deliver progress reports, and maintain enthusiasm. At Save the Children, some change leaders initially made the mistake of sharing only positive news and not communicating when schedules slipped or bureaucracy was slowing progress in

certain countries. It soon became apparent that selective reporting was building distrust and cynicism among staff. The organization realized that if people were to believe the good news, they also had to be told the bad news. This transparency helped build trust and support.

SAVE the Children's experience shows that the change management principles used in the private sector can also be applied in the nonprofit world. The organization has come a long way but is not resting on its laurels. Jasmine Whitbread, CEO of Save the Children International, explained, "We're just at the starting blocks. We've built a platform from which we can now deliver for children." Today the organization is speaking with a global voice, making better use of its strengths and resources, and having a greater impact than ever on the lives of the most marginalized children in the world.

This article was contributed by Craig Baker, François Chirumberro, and Lydia Green. Craig Baker is a partner and managing director in The Boston Consulting Group's London office and is responsible for the firm's strategic relationship with Save the Children. François Chirumberro is a former principal, and Lydia Green is a junior consultant in BCG's London office.

NEW AID STRATEGIES FOR MIDDLE-INCOME COUNTRIES

RAPID ECONOMIC GROWTH IN the developing world has turned many once-poor nations such as China, India, Brazil, and Indonesia into middle-income countries (MICs), which are defined by the World Bank as countries whose annual per capita gross national income ranges from \$1,026 to \$12,475. With relatively stable governments and growing financial resources, these countries receive less international aid now that they've ascended the economic ladder. That is not to say that their social problems have disappeared. Far from it. In fact, despite their relative economic progress, MICs are now home to 72 percent of the world's poorest people. (See the exhibit "The Majority of the World's Poor Live in MICs.") Income inequality and growing urban poverty are enormous challenges.

Having largely outgrown the need for traditional aid, however, governments in these countries are striving to reposition themselves as global players in development rather than as aid recipients. To this end, many are investing in innovative programs for fighting poverty, hunger, and disease. For instance, Brazil's cash-transfer program has greatly improved nutrition among the country's poorest populations and increased their incomes by about 25 percent since 2000. Mexico's Oportunidades social-safety-net program has improved the health of low-income people and helps keep students in school longer. The sys-

tem serves as a model for New York City and Nicaragua.

In this evolving landscape, the balance of power has shifted. Rather than being passive recipients of international aid, governments are now starting to actively choose the services they want from aid agencies, and they are ready to pay for those that support their development agendas.

How can international aid agencies address the most pressing social issues when the governments of MICs are investing in their own programs and no longer need direct delivery of services and commodities such as food, cash, and health care? And how can agencies complement the changing role of national governments that are now taking full ownership of implementing their national development agendas?

What MICs Need and How Agencies Should Respond

To find out the answers to these questions, BCG conducted 115 interviews with aid agencies and governments and made field visits to five MICs. We asked the governments where they see the greatest need for agency support, and we conducted interviews with aid agencies, exploring their strategies for successfully delivering impact to MICs, as well as their priorities, activities, and needed organizational changes.

Our findings revealed that MIC governments want to work with agencies that can add value in “upstream” activities related to capacity development, advisory services, and advocacy. These activities might include helping MICs develop social programs, providing advice and guidance related to key areas of expertise, and actively lobbying for specific social policies.

Aid agencies are responding to changes in the landscape by moving away from traditional aid delivery toward building partnerships with national governments. They’re becoming topic experts, enriching their service offerings by developing specific expertise, providing more customized products and services, and focusing on capacity development. For instance, the World Bank is emphasizing knowledge products, which it can provide to countries whether or not they use the bank’s grants or loans. In many countries, UNICEF is explicitly shifting its focus from

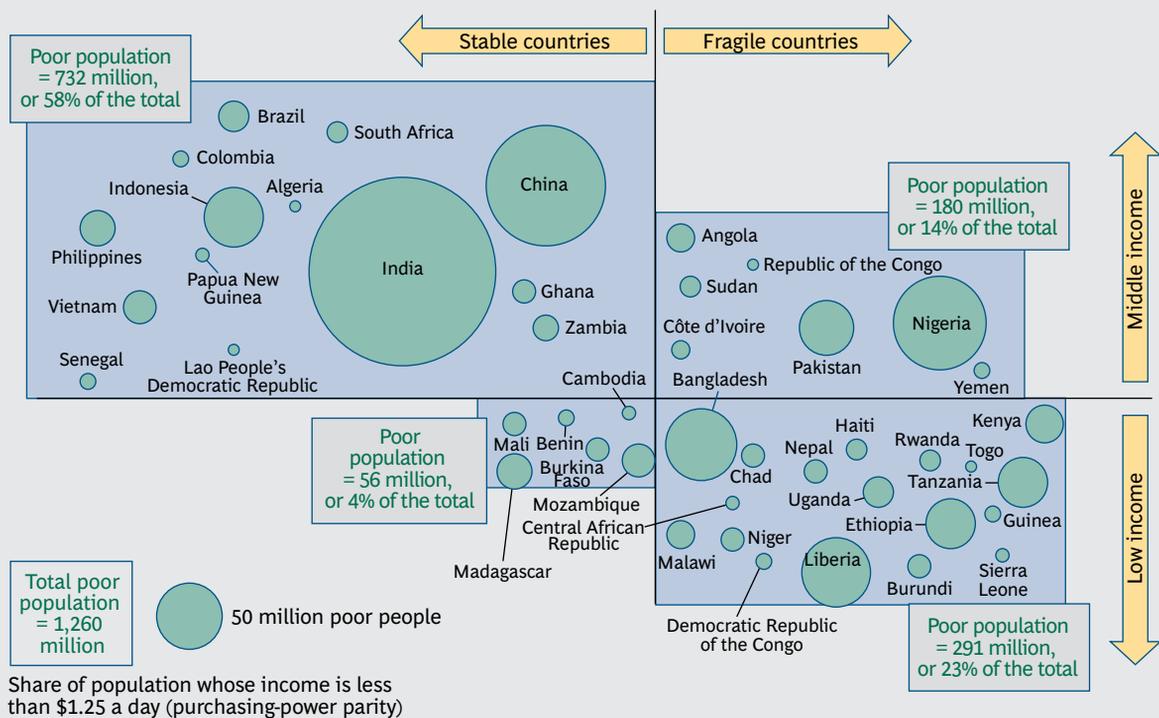
implementation to capacity development, advocacy, extended partnerships, and knowledge creation. And the International Fund for Agricultural Development is moving toward knowledge products and innovation. Although the agencies we interviewed all agreed on the need to change how they operate—and are beginning to make those changes—only one had explicitly formulated an MIC strategy.

Five Best Practices

Drawing on our interview findings, we identified five best practices for international aid agencies that want to reposition themselves strategically in MICs:

Identify key capabilities and develop a clear value proposition. Aid organizations must analyze their skills and areas of expertise, looking for strengths that match national governments’ goals, priorities, issues, and

The Majority of the World’s Poor Live in MICs



Sources: World Bank (low-income country and middle-income country classification as of July 2013); World Development Indicators; OECD, *Fragile States* 2013; BCG analysis.

Note: Countries are mapped vertically by relative income (gross national income per capita, current U.S. dollars, per quadrant); no data are available for Afghanistan, which is a populous country (more than 20 million inhabitants). The exhibit shows the 45 largest countries in terms of poor people (more than 2 million poor). Categorization of countries horizontally follows OECD classification with minor adaptations: fragile states are defined as those whose Country Policy and Institutional Assessment score is less than 3.2 or are included in the top three categories of the Failed States Index (The Fund for Peace); no data are available for Kosovo or Libya, both considered fragile states.

capability gaps. Key strengths might include a strong brand associated with neutrality and competence; expertise in program design or management; global experience on specific topics; technical expertise in areas such as the supply chain, distribution, or child protection; access to global stakeholders; and proven planning and implementation skills. Governments view codified best practices and many years of experience as very valuable assets. For inspiration, look back on the programs your agency has worked on and the knowledge you've built through the years. Experience in niche areas may be especially valuable.

Position your agency as a valuable partner. No longer in need of traditional aid, MIC governments want value-adding services in areas in which they lack adequate expertise or experience. To succeed in this new arena, agencies must be able to add value by playing one or more key roles: advisor, enabler, coordinator, or advocate. Those agencies that can provide advice on how to design an effective social program, for instance, or that have the skills to enable national authorities to implement effective programs will be well positioned to succeed. Similarly, the ability to coordinate a wide range of organizations, NGOs, researchers, universities, and other partners is highly valued, as is the ability to advocate for new social policies through effective lobbying or to provide high-quality analysis as a basis for key policy decisions.

Strengthen your internal skill set. New activities and roles require new skills. In the past, agencies needed large numbers of staff with experience in operations and implementation. Today, however, agencies may need fewer people with different skills who can act as advisors and enablers. Long-term recruitment strategies must anticipate future demand and start matching existing skills to evolving needs. Experience working with national governments, for instance, might be highly valued. Similarly, there may be

a greater need for leadership at the more senior levels to credibly engage with government authorities, build relationships, gain access to key stakeholders, lay the groundwork for effective social development, and develop the capacities of staff members. Because job profiles in the staffing system may capture only traditional roles, descriptions of roles and responsibilities may need updating. Moreover, as some of the needed skills and expertise may not be available in the traditional talent pool, agencies may need to recruit from the private sector, which will require rethinking compensation and recruiting processes.

Rethink the funding model. No longer dependent on external grants, MIC governments are now largely self-funding and purchasing the agency services that they perceive a need for. For agencies, changes in the funding model may make it hard to build up new skills and activities while ensuring the continuity of current programs. To have a sustainable impact, agencies must develop new funding strategies, shifting away from traditional donors to new sources, such as host governments, foundations, the private sector, and impact investment players. The new funding model will require new internal systems for administration, reporting, monitoring, and account management.

Improve knowledge management. With their local presence, national governments and national NGOs are in the best positions to implement social programs cost-effectively. They look to aid agencies for expertise and



Middle-income countries are now home to 72 percent of the world's poorest people.

experience—and knowledge is the biggest source of competitive advantage for agencies today. Consider systematically documenting your agency’s global experience in the field and developing a platform to organize, capture, share, and apply key lessons within and across countries. Establish a repository with key contacts from past and current projects to preserve institutional memory. Personal connections and access to experts create tremendous value that can set your agency apart. Encourage staff to use organizational knowledge by providing access to experts, materials, and communities of practice. At the same time, create a culture that values knowledge sharing as much as project work and service delivery. Better knowledge systems can help staff reapply the lessons learned by others and minimize waste of critical resources.

Taken together, these best practices can help agencies plan for the changing MIC landscape and position themselves for success.

New Strategies in Action: World Food Programme in India

The focus of the World Food Programme (WFP) has been the quick and efficient delivery of food in emergency situations. But an MIC such as India no longer needs this type of direct donation. The country’s government runs one of the world’s largest food-distribution programs, which provides monthly rations of subsidized food commodities to 400 million people at a cost of some \$12 billion per year. Unfortunately, the program has been plagued by leakage and corruption. According to a 2005 study by the Planning Commission of the Government of India, only about half the food reaches the intended beneficiaries.

Recognizing India’s changing needs, WFP completely overhauled its traditional approach. Instead of donating food, the agency has been working closely with the government to outline plans for improving the efficiency and effectiveness of the food distribu-

tion program. On the basis of a successful pilot and a review of the government’s existing efforts to improve the system, WFP was able to develop a best-practice approach and offer expertise in several critical areas. WFP’s model is built on advances in a biometric technology that identifies eligible beneficiaries on the basis of their fingerprints, irises, and faces. This method helps ensure that food goes to the intended target populations. India’s government appreciates WFP’s support and expertise and has shared the solution with several state governments, allowing WFP to start working with states to implement its recommended model.

Instead of donating food, the agency has been working with the government to improve the efficiency and effectiveness of food distribution.

BY adopting similar strategies, rethinking how they operate, and working in partnership with MIC governments, international aid agencies can achieve far greater scale and impact—and play a far more meaningful role in the global fight against poverty.

This article was contributed by Federico Lalatta Costerbosa, Karin Schetelig, and Matias Pollmann Gomez. Federico Lalatta Costerbosa is a former partner and managing director in the Milan office of The Boston Consulting Group. Karin Schetelig is a project leader in the firm’s Vienna office. Matias Pollmann Gomez is a consultant in BCG’s Copenhagen office.

SOLVING THE WORLD'S PROBLEMS BY WORKING TOGETHER

IMAGINE A HEALTH CLINIC turning away a child with a serious illness because he was *too sick—or not quite sick enough*. It sounds unconscionable, but it sometimes happens when even highly committed health organizations work at cross-purposes instead of together.

It happened in Asia, for example, where two organizations were operating two separate provision centers treating child malnutrition. One center focused on treating severe malnutrition by providing a nutritional paste for immediate consumption. The other center focused on children with moderate malnutrition, providing powder supplements that patients could consume at home. Although this patient segmentation and division of labor were logical in theory, they didn't always work well in practice.

Under this arrangement, a mother could walk her malnourished child for hours through the jungle to the nearest provision center for malnutrition treatment only to have him turned away. If a child was deemed *severely malnourished*, after being weighed and measured by a center that treated only the *moderately malnourished*, for example, that child might be sent away without care. Even though some treatment would be better than no treatment at all, the organizations continued to operate in a counterproductive manner.

Both organizations were staffed with skilled, highly capable people who were willing to perform demanding work in difficult circumstances because they care deeply about children. But instead of joining forces, sharing supplies, and working together to take responsibility for all malnourished children, they got caught up in narrow thinking—despite the best of intentions.

In the absence of a shared focus on the overall mission, cooperation, and trust, this pattern repeats itself all too often throughout the social sector. Instead of addressing the problem, nonprofits can, at times, get bogged down in concerns about funding and organizational structure—or in the single-minded pursuit of a specific philosophy about how to deal with social issues.

A Different Approach

To solve the world's most challenging problems, it is critical that organizations work together in a coordinated manner. We recommend a simple but powerful approach, with three key elements:

- *Alignment on mission.* Partner organizations must share a vision about how to solve a problem, and they must define clear goals and priorities that go beyond a narrow, specific philosophy and surpass what each entity could deliver individual-

ly. When aligned behind, and focusing on, a larger mission, organizations can make more progress—and deliver greater impact.

- *Cooperation.* It's easy to talk about coordinating efforts but far harder to do so effectively. To succeed, organizations must team up in flexible, adaptive ways that span their boundaries. Just as important is the need to openly and transparently share information, expertise, and knowledge.
- *Trust.* True cooperation requires trust, but building trust takes time and must be earned. Start with small, explicit agreements among partners that will help mitigate perceived risks. Then expand the partnership as comfort levels grow. When organizations prove themselves to be reliable by following through on their responsibilities, real, mutual trust begins to emerge. Leaders can also play an important role by setting an example and demonstrating what openness and trust look like.

The Approach in Action

When alignment, coordination, and trust come together, the results can be powerful. We have already seen this in the fight against malaria—a deadly disease spread by mosquitoes.

As recently as a decade ago, malaria was on the rise, killing more than 1 million people a year, mostly in Africa. Since then, the death toll has fallen by 40 percent, and it is still falling. Hospitals that were once teeming with malaria patients are now empty in some places—even at the height of the rainy season, when the disease usually peaks. Progress against malaria is largely the result of a concerted effort by hundreds of organizations around the world, all brought together by Roll Back Malaria (RBM), an overarching partnership uniting the malaria-fighting community.

Although RBM is viewed as a highly effective partnership today, that wasn't always the case. As one board member noted, the part-

ner organizations used to spend more time tackling each other than tackling malaria, and blaming each other for the failures seemed easier than working together to figure out how to achieve success. RBM's leadership even considered disbanding the partnership and starting over, but they realized that starting over just meant working in the same way with the same stakeholders with the same biases—a recipe for failure.

Global goals put the aspirations of individual organizations in the service of the overall mission.

Instead, RBM undertook a change initiative that focused on the areas around which the stakeholders shared a common mission. The organizations found ways to work together, began sharing information, and over time built trust. RBM also created the Global Malaria Action Plan, which set specific goals that no organization could achieve alone; they include providing insecticide-treated bed nets to all at-risk populations throughout the world, averting all preventable deaths, and eventually eradicating the disease. All the partner organizations aligned around these global goals, which defined success for all partners and for RBM as a whole—putting the aspirations of individual organizations in the service of the overall mission.

The global plan clearly defined the actions needed to achieve the goals and clarified the specific responsibilities of each partner organization. Although most private-sector companies would view this approach as “business as usual,” it's important to keep in mind that the fight against malaria involves hundreds of organizations from the private, public, and social sectors—each motivated by different incentives. This strategic plan had to coordinate all of their efforts and identify relative priorities, intersecting responsibilities, activities that were best accomplished by teams, and tasks that were more appropriate for single organizations.

By fostering alignment on mission and cooperation among the partners, the change initiative and the Global Malaria Action Plan also laid the groundwork for trust. Bold and pragmatic leaders spearheaded both of these efforts and were integral to the progress that has been made against the disease.

In an example of leadership at its best, African heads of state and governments have formed the African Leaders Malaria Alliance (ALMA) to keep malaria efforts high on the continent's agenda and to provide a forum for sharing and deploying best practices. As part of the alliance, the leaders use detailed scorecards to share information gathered by their ministers of health on the status of treatments, financing, implementation, and impact. The consolidated scorecard details on a country-by-country basis where targets have been achieved, where progress is being made, and where efforts are not on track. The willingness of the leaders of these African nations to share this data and reveal their strengths and shortcomings is a testament to the trust that they are demonstrating and that the malaria community has built, and it sets an example for all partner organizations in the global effort.

Despite this progress, there is still much work to be done to attain the ultimate goals of eliminating deaths from malaria and eradicating the disease. Still, the experience of the malaria community has made one thing very clear: As we fight the world's toughest problems, we can't fight each other too—not if we want to succeed. Instead, we must build alignment on mission, cooperation, and trust across the public, private, and social sectors. We must put the larger mission before our individual goals—and hold ourselves accountable for progress toward that mission.

This article was contributed by Wendy Woods, a senior partner and managing director in the Boston office of The Boston Consulting Group and the global leader of the firm's Social Impact Practice.

This article is based on a TED talk Wendy Woods presented in October 2013; it was one of a series of talks curated by TED and BCG and presented during two events—The Shape of Change and Reinventing the Rules. Wendy's talk and all talks from the events can be viewed at [TED@BCG](http://TED@BCG.org) on bcgperspectives.com.

EQUITY IS THE KEY TO BETTER SCHOOL FUNDING

THE RELATIONSHIP BETWEEN government spending on K-12 public education and student outcomes has been an endless source of debate among those involved in education policy.

For example, the United States spends more on education than any other industrialized country, yet ranks at or below average in the latest international math, science, and reading scores, compared with the world's most-developed countries.

Some argue that there is no correlation between spending and outcomes. But new research from The Boston Consulting Group adds another dimension to the discussion. BCG has worked in numerous school systems and states and has analyzed issues of school funding, student performance, and equity for years.

In our ongoing work with Advance Illinois (a nonprofit education advocacy organization whose board includes BCG's Marin Gjaja), we recently looked at state funding of public education. Our analysis led us to investigate the relationship between the way each of the 50 states funds K-12 public education and each state's student outcomes on the National Assessment of Educational Progress (NAEP). We focused on fourth-grade reading scores and eighth-grade math scores from 2003 to 2011, and we also looked at outcomes for students

at different income levels. We controlled for regional variations in costs between states, as well as for the differences in the concentrations of poverty.

How much state governments spend per pupil and how they spend it does in fact have a significant correlation with achievement.

We found that how much state governments spend per pupil and how they spend it does in fact have a significant correlation with achievement, particularly for the low-income students whose performance on average significantly lags behind that of students from more-advantaged backgrounds. We also discovered strong statistical evidence to support three findings about the relationship between state-level funding and student outcomes. Each of these insights can inform the debates about K-12 public education spending at the local, state, and federal levels.

The level of spending matters. Our analysis shows that increased spending per pupil has a positive impact on fourth-grade reading results, both for low-income students and



Our analysis shows that increased spending per pupil has a positive impact on fourth-grade reading results, both for low-income students and their non-low-income peers.

their non-low-income peers. Our statistical modeling predicted that, all else remaining equal, a \$1,000-per-pupil funding increase is correlated with a 0.42-point increase in NAEP scores for low-income fourth graders.

In the current challenged fiscal environment, states and districts are sometimes reducing spending on education, hoping that a little belt-tightening will not affect student performance. Our research predicts that the dollars being reallocated to address other spending priorities at the state or local level are likely to have a negative impact on all schoolchildren and will hurt low-income students the most.

The source of spending matters. The proportion of public education spending provided by state governments varies widely across the United States. Significant funding also comes from the federal government, local property taxes, and additional fundraising among parents and the community, particularly in wealthier districts. We found that the greater the proportion of total public spending covered by a state, the better the outcomes on NAEP.

The effect was most pronounced for the eighth-grade math scores of low-income students. Our model showed, at 99 percent confidence, that an increase of 20 percentage points in the state share of spending correlated with a 1-point improvement in the eighth-grade math scores of low-income students.

In most states, local property taxes tend to stay in the local district and cannot be redirected outside that district toward those in greatest need as easily as state funding can.

States can help level the playing field by directing spending across a much wider and more diverse area than a local district. Those states paying a low share of total education spending are not using the power of the purse to most efficiently allocate funding to the highest needs.

The equity of spending matters.

By far, the most statistically robust finding in our analysis was the role of increased funding equity in student outcomes.

Equity should require that every student receives sufficient resources to have the same chance to succeed, rather than that every child gets the same level of funding. Unfortunately, many states are far from achieving even the same level of funding for students at different incomes. Many states are in fact quite inequitable in how they allocate education funding, paradoxically investing much more in the richest students than they do in the poorest students, as a result of a combination of complex state spending formulas and a heavy reliance on local funding.

Equity should require that every student receives sufficient resources to have the same chance to succeed, rather than that every child gets the same level of funding.

Giving kids in high-poverty areas an equal opportunity to succeed requires spending more money on those students. We have observed

that states with increased equity ratios (the ratio of per-student funding between high- and low-poverty districts) have had a positive impact on low-income students' performance in reading and math. In fact, we have found that increased funding equity benefits students at every income level.

Many districts have a wide range of student income backgrounds, so greater funding for low-income districts benefits both low- and high-income students.

Interestingly, our analysis suggests that an improvement in the equity of funding across a state can improve academic performance without any additional spending overall. And the effect is significant: For example, a 20-point improvement in the equity ratio, holding all other factors constant, is correlated with a nearly 2-point improvement in fourth-grade NAEP reading scores for low-income students, equal to a roughly 1 percent gain.

Improving funding equity across a state can improve academic performance without any additional spending.

By optimizing all three of these elements, our modeling predicts that states can increase NAEP scores for low-income students by 1 to 2 percent. That may not sound like a lot, but in some states such a gain would bring as many as a quarter of low-income kids who were formerly not proficient in reading to proficiency. Given the connection between proficiency and college readiness, the odds of low-income students' completing college

would consequently be higher. Hundreds of thousands of kids would have a better chance at academic and career success.

But to get the funding formula right for public education, policymakers need to ask themselves the following set of broad questions:

- Are all kids and all districts getting adequate funding in the aggregate?
- Is the state's proportion of spending great enough to help level the playing field?
- Is state funding equitable (not equal) across districts?

The United States can better live up to its reputation as the land of opportunity by creating more opportunities for all students, especially low-income students. State governments can create more opportunities by ensuring adequate levels of spending, an appropriate proportion of funding from the state, and greater spending equity. Changes in these areas can maximize the impact of resources spent on education, fostering better student outcomes and changing lives.

This article was contributed by Marin Gjaja, J. Puckett, and Matt Ryder. Marin Gjaja is a senior partner and managing director in the Chicago office of The Boston Consulting Group. J. Puckett is a senior partner and managing director in BCG's Dallas office and the leader of the firm's Education practice. Matt Ryder is a consultant in BCG's Chicago office.

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TACKLING UNEMPLOYMENT AMONG GERMANY'S DISADVANTAGED YOUTH

THE EUROPEAN LABOR MARKET faces a number of challenges. Unemployment among young people is a severe and ongoing problem in many countries, recently reaching 63 percent in Greece, 56 percent in Spain, 41 percent in Italy, and 27 percent in France. In Germany, a growing number of disadvantaged youths between the ages of 15 and 24 have limited access to the labor market. About 270,000 of them are in the “transitional system” between school and work—a system frequently criticized for being costly and ineffective. Participants spend about 12 months on average in transitional programs, but only about 20 percent find jobs, despite a €4.3 billion annual price tag paid for by the German government. Without effective alternatives, many disadvantaged youths at the lower end of the opportunity spectrum end up feeling that society has given up on them—and they give up on themselves.

Efforts to address unemployment must consider both the demand and supply sides of the labor market. Although a shortage of skilled workers in Germany is fueling relatively strong demand, many other European countries are seeking to strengthen their economies and create jobs by offering employers government subsidies and other incentives to hire more people. Those efforts are important and must continue.

On the supply side, young people entering the workforce need the skills—technical, social, and professional—that employers require. But too often those skills are lacking, especially among disadvantaged youth, and opportunities for the poorly qualified are declining. In Germany, one in every two graduates of secondary school, or *Hauptschule*, still lacks a job one year after graduation. As a result, many young people are becoming dependent on welfare support at a time when the country’s economy is in desperate need of skilled workers and many positions go unfilled.

Filling the Skills Gap

To better prepare disadvantaged young people in Germany for the job market, The Boston Consulting Group and BMW’s Eberhard von Kuenheim Foundation created Joblinge, a collaboration of the private, public, and volunteer sectors, in 2008. This intensive six-month program accepts people between the ages of 15 and 24 who are unlikely to find employment on their own because of multiple obstacles that make them difficult to place. About 30 percent of Joblinge participants have been unable to find a job for three to five years and are an average age of 20; more than 70 percent are the children of immigrants. Some participants have criminal backgrounds, and most come from families that already depend on welfare. By providing



To date, more than 1,850 underprivileged youths have participated in the Joblinge program.

skills, experience, and employment to these young people, Joblinge hopes to encourage independence and both personal and economic empowerment.

Joblinge focuses on outcomes, aiming for fast but sustainable job placements. While traditional programs in the transition system last about a year, the Joblinge program is over in half the time. Joblinge is also more effective. More than 65 percent of its participants get jobs, and 80 percent stay at their new jobs for at least six months—results that are almost three times better than those achieved by some other programs that target the same hard-to-place group.

Because of Joblinge's short time to results and the high job-retention rate of its participants, its cost per placement is much lower than that of alternative programs. This translates into government savings of up to €100,000 per sustainably placed participant. To date, more than 1,850 underprivileged youths have participated in the Joblinge program.

The Joblinge Approach

Joblinge's six-month program requires a full-time commitment from participants and has five stages: admission, assessment, practice, probation, and follow-up. In the admission stage, candidates do volunteer work for a

good cause, such as cleaning up a local park. Many of those who show up consistently for work and successfully complete this stage experience their first success: earning a spot in the program. This goal is highly motivating and can lead to a more positive mindset as participants go from seeing themselves as beneficiaries of aid to benefactors of the community.

More than 65 percent of Joblinge's participants get jobs, and 80 percent stay at those jobs for at least six months.

In the assessment stage, participants take part in a variety of practical group projects, such as making a movie, producing a podcast, writing a journal, organizing an event, or joining a dance or theater workshop. In so doing, they discover their interests and strengths, develop their social and professional skills, test their limits, and evaluate different types of jobs in a wide range of business and technical functions. Group projects are led by topic experts from partner organizations. Participants also get intensive one-on-one time with Joblinge employees with the goal of revealing the participants' strengths, determining the most suitable job profiles,

and addressing personal problems—such as homelessness, debt, lawsuits, or domestic violence—that often underlie their difficulties in finding work.

The practice stage offers participants their first work experiences—one or two internships—in which they can try out their new skills and prove themselves. In the probation stage, participants spend three months as job candidates at a partner company, going through training and seeing if they are a good fit. If it works out, they earn an entry-level position at the organization. Joblinge’s partner companies come in a wide range of sizes and industries and offer a variety of vocational opportunities. In the final stage—follow-up—Joblinge stays in touch with its graduates for two to three years, providing coaching as needed, to ensure that placements are successful and sustainable.

Joblinge stays in touch with its graduates for two to three years to ensure that placements are successful.

With focused attention and training, participants can bloom. As an executive at a company working in partnership with Joblinge noted, “We’ve had very good experiences with the Joblinge program. It is fascinating and sometimes surprising to see the skills that can surface when youth are supported and developed in their strengths.”

The experience of 17-year-old Dimitrij is typical. Originally from Russia, Dimitrij moved to Germany three years ago without a diploma or any knowledge of German. Because he was experiencing domestic violence, he was removed from his family and placed in a foster home. He became involved with drugs and was sentenced to juvenile detention. When Dimitrij entered the Joblinge program, he hoped to become a retail salesman. With intensive training, multiple interventions, and patient guidance, the Joblinge team managed to find him an internship at a retail store. After proving himself there, he earned an entry-

level position last fall that will become permanent if he continues to perform well. In the meantime, he receives follow-up support from Joblinge.

Four Success Factors

Joblinge’s success is due to four factors: collaboration across the public, private, and volunteer sectors; individual mentoring and support; real-life, practical experience from day one; and a consistent, scalable approach. Let’s look closely at each of these factors.

Collaboration Across the Public, Private, and Volunteer Sectors. Each sector plays a critical role. The public sector provides funding and refers unemployed youth to the program. Each Joblinge location has private-sector partners that support the organization and agree to offer participants jobs or internships. For participating companies, the partnership provides two benefits: an ongoing source of new employees who are supported and coached to success; and a way to give back to the community by offering job opportunities to disadvantaged youth. Volunteers from the partner organizations and the local community provide services such as mentoring, training, and project expertise. This collaboration across sectors is critical, both as a source of training, experience, and jobs and as a way to offer youths a professional network that they would otherwise lack.

Individual Mentoring and Support. Because of their difficult backgrounds, program participants struggle in a professional environment without one-on-one support. That’s why Joblinge employees work intensively with the youths, who are also supported by mentors from the community and the private sector. The mentor acts as confidant and coach, guiding the participant through the program and helping to deal with any issues that arise. Having access to someone who cares and listens is often a new experience for the youths, and these personal relationships are crucial as the participants strive to understand and overcome their past struggles. As one program mentor explained, “I realized how much my parents and my family gave me: trust, permanence, and responsibility. I want to share this



Through innovative performance workshops and hands-on projects, participants gain self-esteem.

with people who have lacked this support so far.”

Real-Life, Practical Experience from Day One.

Few of Joblinge’s participants have found success in traditional, classroom-based learning environments. Through innovative performance workshops and hands-on projects, participants gain self-esteem in addition to the professional and social skills needed to succeed. After building these skills, participants move on to closely supervised internships in partner companies. Finally, they earn an entry-level position that enables them to make the final transition to the workforce. By proving their skills in a real work environment, participants gain a deep and practical understanding of what it feels like to be meaningfully employed and to take on responsibilities that allow them to grow. These experiences are highly motivating.

A Consistent, Scalable Approach. Joblinge’s headquarters—led by BCG as a pro bono engagement—ensures that all Joblinge locations use identical proven methods and take the same approach to strategy, growth, quality standards, concept development, and partner acquisition. Headquarters also provides all branches with centralized services such as IT, marketing, fundraising, and financial management. Because of this consistency, the organization can, with relative ease, scale up its operations with multiple

partners in various locations. The Joblinge network now has 11 locations across Germany and includes more than 1,100 companies, 900 mentors and trainers, and more than 20 government institutions such as the Federal Employment Agency and local ministries. More locations are underway. To support as many young people as possible, Joblinge hopes to have 20 locations by 2020.

Unemployment is a major problem in Europe—especially among disadvantaged youth, who often struggle to find meaningful, sustainable careers.

A core principle of Joblinge is helping participants to help themselves. Joblinge’s intensive, practical six-month program strengthens self-esteem and promotes independence and both personal and economic empowerment. Because the program is faster and more effective than alternative programs in Germany, its cost per placement is far lower. By giving participants the professional and personal skills they need to succeed, Joblinge is effectively tackling the supply side of the unemployment challenge.

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For further information on Joblinge, please visit www.joblinge.de. To view Joblinge’s annual report, please visit <http://www.joblinge.de/medien/jahresbericht.html>.

IMPACT-BASED PHILANTHROPY

RUNNING A NONPROFIT IS incredibly difficult. It typically involves providing crucial goods or services to people in need—and doing so with unreliable funding and on a shoestring budget. Nonprofits are pushed by donors and governments to spend their money on service delivery rather than investing in long-term infrastructure. With no access to debt or equity markets, they must rely on private donations, corporate contributions, and government support. At the same time, nonprofits often face volunteer shortages, have limited networks of contacts to draw upon, and are unfamiliar with the best practices of the private sector. All of these challenges make it very hard for nonprofits to plan, innovate, and grow.

This is not a small problem. The U.S. alone has more than 1.5 million nonprofits—around one-third more than the country had in 1999—that range in size from tiny part-time outfits to massive institutions.¹ The recent boom in nonprofits has been driven in part by a dramatic surge in giving between 1987 and 2007, when charitable donations in the U.S. more than doubled. The economic crisis of 2008 ended the boom. In 2008, private donations in the U.S. fell by 6 percent, the largest drop in more than 50 years.²

Unfortunately, donations are dropping just as demand for many social services are at a peak. The global downturn increased the

hardships of many of the world's most vulnerable, and their needs have grown as a result. Most nonprofits are seeing an uptick in demand for their services and expect further increases in the coming years.³ To make matters worse, governments are under pressure to reduce costs and do more with less. With less public funding available—and more social services needed—nonprofits are struggling to pick up the slack. Unfortunately, non-government giving is unlikely to fill the gap. In the near term, many nonprofits in the developed world are expecting donations to stay at the same level—or decline.⁴

At the same time, the social services “market” is extremely fragmented. Any organization can hang out a nonprofit shingle. Potential donors, sponsors, and governments have few easily accessible ways to distinguish the high-impact organizations from those that are merely mediocre—or to measure the return on their investments. As organizations grow, strong founders with a singular vision can prevent needed changes in policy or expansion of scope, hindering the mergers or expansions that could improve impact.

Although watchdog organizations have done an excellent job monitoring the spending and operating efficiency of nonprofits, one critical measure is still lagging: the actual impact delivered. A nonprofit can be administratively efficient but accomplish little. And one with



Results are what matter in the social sector. How many targeted students graduated from high school or college, compared with the unassisted population?

high overhead can still have exceptional outcomes.

Results are what matter in the social sector. How many fewer school days were lost to student illness? How many targeted students graduated from high school or college, compared with the unassisted population? To what extent was drug use curtailed? How many follow-up visits to the hospital were avoided?

Pulling together the right metrics can be difficult, especially for smaller organizations with fewer resources.

Many studies have shown that today's social investments deliver future results that can be quantified. For example, the Canadian Council of Learning found that a 1 percent increase in high school graduation rates could save the country \$7.7 billion annually. If we knew which nonprofit organizations were making the biggest impact in key sectors, we could direct a larger share of resources to those and help them scale up quickly, increasing their impact by tenfold—or even a hundredfold. And with greater transparency into outcomes, nonprofits would be more account-

able to their boards and donors, pushing them to strive for better impact.

The Need for Measurement and Accountability

Nonprofits that want to access capital just as companies in the private sector do are increasingly expected to present their results with hard numbers that can be tracked and compared, using a baseline as a starting point for measuring improvement. This quantified outcome—potentially employing a measurement tool such as “social return on investment” (SROI)—would ideally allow potential donors to make dollar-to-dollar comparisons of the relative impacts generated by different organizations.

The nonprofit sector is beginning to recognize this need for measurement—and the challenges of delivering it. In the developed world, 60 to 70 percent of surveyed executives at nonprofits report feeling that they lack the impact metrics that are necessary for public reporting and marketing.⁵ But pulling together the right metrics can be a complex undertaking, especially for smaller organizations that have fewer resources or lack the required analytical skills. This problem will need to be addressed.

Moreover, SROI itself isn't a perfect metric—especially for making apples-to-oranges com-

parisons. For instance, how does the value of a child completing school measure up against the value of saving the life of an animal? These are moral choices, heavily laden with personal belief. The social sector provides a wide range of services to varied populations, often in partnership with multiple organizations, and outcomes are highly variable as a result.

Still, the SROI metric is a strong starting point for comparing nonprofits. It is a tool that donors, corporate sponsors, and governments can use to hold nonprofits accountable for their impact—and to help reveal the top performers in each sector. In today’s challenging economic environment, it is even more critical to identify high-impact organizations so that they can benefit from the limited funding that is available. If businesses, private donors, and government agencies marshal their resources in support of these exceptional nonprofits, the impact can be extraordinary.

A case in point is Pathways to Education, a community-based program for high school students from low-income families that aims to break the poverty cycle by reducing high-school dropout rates. Founded in Toronto’s Regent Park, the program provides students with tutoring, mentoring, and financial support. Pathways gained access to crucial data by getting the school board to agree to share course and graduation outcomes for each student who signed up for the program.

In 2007, The Boston Consulting Group was brought in to help determine the social impact of Pathways. The SROI that BCG quantified was remarkably high. Students participating in the program had a 70 percent lower dropout rate than their at-risk peers—and a university enrollment rate three times higher than the baseline (set before students enrolled in Pathways). Just as important, the study showed that every dollar invested in Pathways delivered \$24.50 in social returns for the broader community, through students’ higher income and taxes in later years, or by their avoiding social costs in health care or the justice system. The results confirmed the beliefs of Pathway’s founders—that removing the barriers to a good education would allow low-income students to achieve the same academic success as their more affluent peers.

Our study showed that every dollar invested in Pathways to Education delivered \$24.50 in social returns.

Armed with this data, which is regularly updated, Pathways’ leaders developed an ambitious plan to scale up the organization’s operations by collaborating with a range of outside supporters from the private and public sectors.



Pathways to Education is a community-based program for high school students from low-income families; it aims to break the poverty cycle by reducing high-school dropout rates.

The United Way, the Bank of Montreal, BCG, and others provided the organization with the funding, strategic advice, professional services, government contacts, and media attention needed for a major expansion. In less than a decade, Pathways set up 17 programs throughout the province of Ontario, and it will soon embark on a five-year plan to grow nationally. In the process, Pathways increased the reach of its services from hundreds of students to tens of thousands.

Efficiency matters, but effectiveness is more important, and administrative cost ratios don't provide needed insight.

The lessons here are threefold:

Measuring outcomes brings much-needed clarity. Efficiency matters, but effectiveness is even more important—and administrative cost ratios don't help here. Most donors are in the dark when it comes to knowing if their contributions are actually making a difference. Impact measurement turns the lights on. Armed with data on outcomes, both donors and government agencies can funnel money and resources to the organizations that are most effective, and they can hold accountable those that are less effective.

Scale can magnify the impact of effective nonprofits. As any venture capitalist knows, new start-ups are risky, but a proven business model—one that can be scaled up quickly—mitigates that risk. The same concept applies to social investment. Nonprofits with exceptional outcomes should be identified and expanded so that their impact can be magnified. The private and corporate donors that help make this happen will get more social return for their investment dollars.

Collaboration can drive more rapid growth. Nonprofits too often lack the capital, business skills, capacity, or networks needed to expand on their own, so collaboration is crucial. The contacts, capital, and management skills of a broad coalition of supporters are required to

push high-impact organizations to the next level. But these broad collaborations must be tightly coordinated and integrated to ensure that they deliver the desired outcomes.

In these times of corporate retrenchment and declining government involvement, effective nonprofits can play an ever more critical role in improving standards of living in the years to come. But to achieve this potential, they need targeted infusions of capital, business skills, and other important resources. To this end, smart investors with a stake in our nation's future should consider directing their contributions to high-potential organizations that can show a track record of measurable results—organizations that can grow into sustainable, high-impact institutions through the collaborative efforts of supporters from the private and public sectors.

NOTES

1. National Center for Charitable Statistics.
2. EvaluaServe, "Global Trends in the Not-for-Profit Sector," October 2011.
3. Blackbaud, "2011 State of the Nonprofit Industry Survey," October 2011.
4. The countries included in the Blackbaud assessment, "2011 State of the Nonprofit Industry," were Australia, Canada, France, Germany, Italy, Netherlands, New Zealand, UK, and U.S.
5. The countries included in the Blackbaud assessment, "2011 State of the Nonprofit Industry," were Australia, Canada, France, Germany, Italy, Netherlands, New Zealand, UK, and U.S.

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THE VALUE OF SOCIAL BUSINESS

IMAGINE A WORLD IN which electricity reaches even the most remote rural families in developing countries—those living far from today’s existing grid system—and provides them a means of working and studying late into the evenings. Imagine further that this electricity is green energy—solar home systems or biogas plants, for example. And imagine it were sold to the customers—most of whom live on less than \$2 a day—for a price that makes the business financially sustainable and keeps it from depending on ongoing aid payments.

Impossible, you might say. And then you might travel to Bangladesh and come across Grameen Shakti, a social business that is thriving on just such a business model.

Many of the world’s most pressing social problems are so ingrained and widespread that they cannot be addressed solely by governments and traditional social sector organizations. Solving these problems requires a variety of approaches from the private and public sectors alike.

To this end, a wide range of new models is emerging along a spectrum that spans from nonprofits supported entirely by donations at one end to purely profit-oriented businesses at the other. By combining business principles with social objectives, these emerging models bridge the social and private sectors. Their various approaches can be distinguished both

by the relative emphasis they place on social objectives versus profit objectives and by the degree to which they seek to generate their own revenues.

Social businesses aim to create sufficient revenues to cover their costs.

On this spectrum, social businesses—companies with a primary objective of solving a social problem by applying business principles—fall somewhere between traditional NGOs and for-profit companies. (See Exhibit 1.) Like NGOs, their primary objective is to create social impact. At the same time, they operate like businesses and aim to generate sufficient revenues to at least cover their operating costs.

Other emerging models, which lean further to the business side, try to weigh profit and social objectives equally; for instance, by aiming to generate at least a minimum profit while also pursuing a social impact goal. More toward the nonprofit side, business-inspired NGOs aim to generate at least some additional revenue by pricing their services, yet without the ambition to reach financial sustainability.

EXHIBIT 1 | Social Businesses Are at the Intersection of Nonprofit and Business Sectors

	NGO	Business-inspired NGO	Social Business	Balanced social/profit business ¹	Business
Primary objective	Social impact	Social impact	Social impact	Social impact and commercial success	Commercial success
Products/services priced for sale	✗	✓	✓	✓	✓
Business model	N/A	Price < Costs	Price ≥ Costs ²	Price > Costs	Price > Costs
	Maximizes social impact	Maximizes social impact	Maximizes social impact	Maximizes social impact	Ensures social standards
	Funded through donations	Partially funded through donations	Financially self-sustainable	Maximizes profitability	Maximizes profitability

Social entrepreneurs

Source: BCG analysis.

¹These include legal entities such as B-corporations (benefit corporations) in the U.S., Patagonia is one example.

²At least over the long term.

The Basics of Social Business

Although all these emerging models vary in the degree to which they combine profit targets with social targets, they all are built around the same basic belief: applying business principles to social problems can significantly increase efficiency, effectiveness, and financial sustainability. That’s why many of the lessons from social businesses can also be applied to other emerging business models.

Exact definitions of “social business” vary. In our analysis, we use the definition established by Professor Muhammad Yunus, Nobel Peace Prize Laureate 2006, founder of the Grameen Bank, and early developer and implementer of the social business concept. A social business is a financially sustainable organization created solely to solve a social problem. Whereas original investments may be recouped, all potential profits are reinvested to further increase the organization’s social impact.¹

Because social businesses don’t have as a goal increasing shareholder value or paying dividends, they are free to focus on the neediest, most underserved segments of the world’s populations—segments that traditionally fall outside the focus of profit-driven businesses. And because they price their

products and services in a way that generates enough revenue to be self-sustaining in the long-term, these organizations do not depend on donations or other forms of external financial support to deliver their mission. Ultimately, social businesses maximize value delivered to society as opposed to the financial value delivered to shareholders.

Applying business principles to social problems can increase effectiveness and financial sustainability.

Today, social businesses exist in developing and developed countries alike. Many of the social businesses BCG analyzed for the November 2013 report *The Power of Social Business: Lessons from Corporate Engagements with Grameen*, are joint ventures between a Grameen organization and a multinational partner such as Danone, Intel, Veolia, and BASF. (See Exhibit 2.) Although many are still in the early phases of development, some—like Grameen Shakti, which has revenues of about €72 million and more than 12,000 employees—demonstrate the poten-

EXHIBIT 2 | The Analyzed Grameen Social Businesses Address a Variety of Problem Areas

	Grameen Danone Foods	Grameen Veolia Water	BASF Grameen	Grameen Intel Social Business	Grameen Yukiguni Maitake
Problem addressed	Child malnutrition Poverty reduction	Arsenic-contaminated water in rural areas	Risk of malaria in parts of the country	Inefficient use of fertilizers Lack of adequate maternal health care	Poverty and underemployment
Solution offered	Affordable yogurt fortified with micro-nutrients (since 2007) Income generation in local communities	Clean water through village tap points (since 2008)	Affordable and long-lasting mosquito nets (since 2009)	Easy-to-use IT solutions (since 2009)	Employment for the poor through mung bean cultivation (since 2010)
	Grameen GC Eye Care Hospital	Grameen Caledonian College of Nursing	Grameen Shakti	Grameen Distribution	Grameen Fabrics & Fashions
Problem addressed	Limited access to specialty eye treatment for the poor	Shortage of nurses and lack of access to medical care among poor and rural communities	Lack of electricity Unhealthy living environment	Lack of access to basic products in rural areas	Poverty and underemployment
Solution offered	Affordable eye-care examinations and surgeries for the rural poor (since 2007)	Nursing education for underprivileged girls (since 2010)	Clean energy (since 1996) with: ¹ • solar home systems • cooking stoves • biogas plants	Social and consumer products distributed door to door in rural areas (since 2011)	Employment for the poor through local production of such items as mosquito nets (since 2012)

Source: BCG.

¹Originally founded as a nonprofit organization, Grameen Shakti was transformed into a social business in 2010.

tial scale of these ventures. Most important, however, are the social and business benefits that these organizations deliver. (See Exhibit 3.)

Social Benefits

With their focus on social impact and self-sustainability, social businesses can theoretically provide solutions to almost any social problem. As demonstrated by the range of social businesses BCG analyzed, such problems include fighting hunger and malnutrition, increasing the agricultural productivity of rural populations, offering poor rural households access to an environmentally friendly electricity supply, providing employment opportunities in areas where jobs are limited, and improving the health and life expectancy of local populations.

One example is Grameen GC Eye Care Hospital, which was founded in 2007 to tackle the prevalence of blindness and eye conditions such as farsightedness among the poorest populations in Bangladesh. The hospital

provides low-cost eye care—including eye exams and cataract surgery—at three locations, and it extends its reach into the poorest, most rural areas through its traveling “eye camps.” By charging patients for its services based on their ability to pay, the hospital is affordable.

Although 20 percent of its 545,000 patients receive services at a very reduced price, the hospital still manages to break even due to its efficient operations and the income from higher-margin patients. To date, an estimated 2,500 blind patients have regained their eyesight as a result of the hospital’s services. In addition, the business has created 237 local jobs. Now that the model has proven its viability, efforts are underway to scale it up further, and two other eye-care hospitals are under construction.

Similarly, the other social businesses analyzed create tangible social impact—the degree and extent of which depends on the business stage they are operating in. Grameen Danone Foods, for example, reach-

EXHIBIT 3 | A Social Business Approach Offers a Range of Social and Business Benefits



Social Benefits

Provides innovative solutions to social problems

- Yet requires a clear value proposition tailored to customers' needs

Creates results that last well beyond the initial investment

- Reaching financial sustainability is a challenge that requires a thoughtful business model

Empowers beneficiaries by transforming them from aid recipients into consumers with choices

- Pricing must be adapted to ability to pay

Improves accountability by using sales figures as a built-in mechanism to evaluate user acceptance

- These must be combined with measures showing the extent to which the most disadvantaged are reached

Leverages the business mindset to increase efficiency

- Systems for tracking social impact must be integrated with management systems



Business Benefits

Creates greater lasting social impact than traditional donation-based corporate social responsibility (CSR) programs

- The approach applies business principles and draws on core capabilities

Provides new opportunities for learning and innovation

- Understanding new markets and customer segments can lead to new commercial opportunities

Improves employee motivation and retention

- There is greater enthusiasm and pride among involved staff, potential recruits, and all of the company's stakeholders

Offers the potential for a positive impact on the brand

- Gains can be achieved if the business is carefully managed and tangible results are achieved

Source: BCG analysis.

es more than 300,000 customers with fortified yogurt, and preliminary scientific studies point to the impact that the yogurt has on children's growth rates and ability to concentrate.

BASF Grameen's insecticide-treated mosquito nets (which are sourced from Grameen Fabrics & Fashions, another social business) protect more than 75,000 families from insect-borne diseases. Grameen Shakti's solar home systems provide more than 1.2 million families with access to clean electricity, and Shakti's improved cooking stoves create a cleaner living environment for roughly 700,000 households. Grameen Yukiguni Maitake has created 8,000 jobs in the cultivation of mung beans, providing new employment opportunities for farmers in rural Bangladesh. Furthermore, it recruited new employees as field supervisors and built a sorting factory.

These solutions are designed to provide long-lasting, self-perpetuating benefits. Unlike traditional charitable organizations, which spend donated funds every year, a suc-

cessful social business has self-sustainable operations because it is set up to recoup every dollar it invests. Social businesses also empower populations in need, transforming them from beneficiaries of charitable aid to independent consumers who have a choice and a stake in their own futures. In addition, by tracking sales figures and working with a business mindset, social businesses can achieve greater accountability and efficiency—further increasing the social return of every dollar invested.

Business Benefits

Unlike traditional, donation-based corporate social responsibility (CSR) activities, social businesses allow companies to directly use their skills, expertise, and business network to address a particular social problem. In this way, social business activities can be aligned with the core commercial business. If designed and managed effectively, this alignment not only generates lasting social impact but also can lead to tangible business benefits.

According to the corporations we surveyed, the most important business benefit that social businesses can provide is the potential for learning and innovation. All along the value chain, companies often find that the new products, operating models, marketing strategies, and distribution approaches aimed at reaching those most in need have a broader commercial application and can be a source of competitive advantage for the core business. For instance, Grameen Danone Foods set a goal of improving the health of children in Bangladesh by selling nutritious, affordable yogurt to local families. To maximize efficiency and create local

employment opportunities, Grameen Danone Foods built the smallest plant that was technically possible—its capacity is below 4 percent of the typical capacity at a Danone factory in Europe. This production approach sharply reduces capital expenses and provides an innovative blueprint for small-scale production that Danone can leverage in other emerging markets. (For more details, see the sidebar “An Interview with Jochen Ebert on Grameen Danone Foods.”)

When companies enter a new region, social businesses can also provide valuable insights into the legal, regulatory, and political envi-

AN INTERVIEW WITH JOCHEN EBERT ON GRAMEEN DANONE FOODS

Jochen Ebert is the managing director of Danone India. Previously, he managed the launch of Grameen Danone Foods in Bangladesh, a social business that sells fortified yogurt at affordable prices. The yogurt is specifically formulated to address child malnutrition among the poor in rural parts of the country. BCG spoke with him about the business benefits that a social business can deliver.

What impact did Grameen Danone Foods in Bangladesh have on Danone’s core business?

Grameen Danone Foods allowed us to experiment with new approaches and processes. A big corporation becomes more and more top-down in the way it is managed. Our social business in Bangladesh was really created bottom-up. Instead of being part of a big hierarchy, we were a small group of people making decisions. This had a significant impact on how we ran the business.

For example, it was absolutely unthinkable for Danone to have a factory that generated fewer than 20,000 tons of yogurt per year. Yet our factory in Bangladesh has only a 2,000-ton capacity and far lower capital expenses. Here, we are capable of managing small, and we try to keep costs as low as we can. Since this is a small start-up and we cannot afford high overhead, we’ve had

to put very junior people into senior management positions. We have had time to experiment, because the absolute losses that we create are not so significant. This is revolutionary thinking for a company like Danone.

Also, there have been fantastic new learnings in terms of going to market, understanding and reaching consumers, and creating products that our customers want. The direct-delivery systems we created in Bangladesh are smaller and more effective than what we have in many other countries. And we’ll be launching some products in France that were strongly inspired by our products in Bangladesh.

Our social business is a lever that people still don’t fully understand because the traditional communication and learning flows are from West to East. People in the West aren’t very open to hearing, “Here’s how we do it in Bangladesh.” But it’s an extremely powerful tool, especially if more and more people in the company have these kinds of experiences. We underexploit it massively, but we’ve learned a lot from it.

You mentioned that Danone will be launching some products in France that were inspired by the Bangladesh experience. Can you tell us more?

ronments. BASF Grameen’s primary social objective is to protect populations against insect-borne diseases, but the business also provides an opportunity to learn more about the Bangladeshi market and consumers—lessons that may eventually help BASF explore new business opportunities.

Social businesses can also provide less tangible but equally important employee benefits. Giving employees an opportunity to become involved in a social business can give them a sense of purpose and new personal- and professional-development opportunities. By providing experiences that

enrich the lives of their employees, companies can strengthen employee engagement, job satisfaction, and retention. These types of experiences are especially valued by today’s “Millennial” generation (those born between 1980 and 2000). For members of this generation, experiencing a sense of purpose is an integral part of their lives and plays an integral role in their career choices. (For more information about the survey, see *The Millennial Consumer: Debunking Stereotypes*, BCG Focus, April 2012.)

Finally, achieving true social impact can also enhance a company’s reputation and brand by

We made some innovations in the product formulation. Milk is very expensive in Bangladesh, but other ingredients can provide the needed nutrition profile at a lower cost. These ideas can be applied in developed countries as well.

Another idea with the potential to travel elsewhere is how we go to market—and the need to explore different distribution channels. In developed countries, such as Germany and France, we sell 80 percent of our products through supermarkets. But in India, for example, we sell via carts. I don’t know if this approach is completely applicable in other areas, but the very act of breaking down mental barriers can be hugely inspirational for big companies.

In Europe, where there are many steps between the manufacturer and the consumer, there may be opportunities to sell products directly—and not necessarily via carts going through Paris. We have a big Danone building in Spain where we sell products directly to consumers. It wasn’t directly inspired by Bangladesh, but this type of thinking can lead to innovation.

Have you gained any other insights from your Bangladesh experience?

One key learning is in the area of business planning. Companies are spending an

increasing amount of time planning and then translating those plans into PowerPoint charts. In Bangladesh and India, we learned that it doesn’t really help to plan more and more and more—your plan is going to be wrong.

This experience radically changed how I look at the process. I no longer see it as first the planning, then the action. Now it’s first the action, then the planning. It’s really the ability to act something out, to experiment with something that may be a little vague or entrepreneurial. Since we can’t manage uncertainty, it’s better to manage small, modular experiments and see their impact on the business—instead of taking the traditional approach of adding one business plan to the next, knowing that they’ll never happen but pretending they will.

To generalize, if a company wants to take the risk of building businesses in emerging countries, then it also has to take the risk of nonplanning, taking action, and then planning. If it doesn’t work, you cut your losses and exit. And if it works, you adjust it step by step. This is a permanent, interactive process of correction. It is very, very unlikely that you’ll get it right the first time. I have never seen that, because these countries are fundamentally different than where you’re used to operating.

helping to build a network and goodwill with important stakeholders. Public campaigns to encourage corporate recognition of social issues demonstrate the growing power that external stakeholders can have on business success. Building long-term relationships across all of society—including public decision makers, opinion leaders, and influencers—through an integrated stakeholder-management approach is critical for building support for a company’s interests and operations.

NOTES

1. For more about the definition of social business and the seven principles outlined by Professor Yunus, see the Yunus Centre website.

This article was contributed by Ulrich Villis and Rainer Strack of The Boston Consulting Group, Professor Muhammad Yunus, and Saskia Bruysten of Yunus Social Business. Ulrich Villis is an associate director in the Munich office of BCG

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DIGITAL CULTURE

THE EXPLOSIVE WORLDWIDE GROWTH of Internet users, mobile devices, and social media is changing profoundly how companies in virtually every industry market and sell their products. One prominent exception: the arts sector. Most cultural institutions have been slow to capitalize on the new opportunities that digital technology offers—or think it means merely selling tickets online.

And yet the potential benefits are enormous. When theater, music, dance, and art are “digitized,” they can be released from their brick-and-mortar venues. Without the constraints of time and place, culture can become truly mobile, interactive, scalable, and accessible to a far broader audience. This “democratization” of culture makes it available to everyone—not just a luxury for the wealthy. Digital technology can also provide new ways to enhance the cultural experience, increase revenues, and promote consumer engagement.

A handful of cultural organizations have recognized these opportunities and are leading the way. The Berlin Philharmonic broadcasts 30 live concerts per year over the Internet and on smart TV. New York’s Broadway website allows visitors to buy tickets to shows at all Broadway theaters, bringing in 12 million visitors and more than \$1 billion in sales per year. The site also has theater-related news, feature stories, and polls. The Google Art

Project provides access to more than 178 digitized collections, along with a zoom function for up-close inspection. But these efforts are the exception. Many more cultural institutions are sitting on the sidelines as the digital revolution passes them by.

Exploring the Opportunities

To learn more about digital opportunities in the arts sector, BCG analyzed more than 80 initiatives at cultural institutions around the world that use digital technology in a range of ways. We then categorized the results. Our analysis showed that digitization can provide a number of benefits. (See the exhibit “Digital Technology Offers Four Distinct Benefits.”)

Increasing Access to the Arts. Digitization allows cultural institutions to reach new audiences, many of whom are unable to attend traditional performances because of logistics, special needs, or an inability to afford the cost of tickets. The Sydney Opera House website offers more than 40 events per week by different cultural organizations. These events range from operas, concerts, and dance performances to shows designed for families and schools. The website also offers virtual video tours of the opera house to students. And Vienna’s public libraries provide cultural content that is multilingual, with large font sizes for the visually impaired

Digital Technology Offers Four Distinct Benefits

Increasing Access to the Arts



Digitizing art collections to attract rural audiences

Enhancing the Cultural Experience



Accessing background information through QR codes

Generating New Revenues



Live streaming of performances to cinemas worldwide

Promoting Consumer Engagement



Reviewing cultural performances online

Sources: Freedigitalphotos.net; BCG analysis.

and selections in sign language for the hearing impaired.

Enhancing the Cultural Experience. Digital technology can provide context, history, related materials, subtitles, and other information that can increase engagement levels and help visitors get more from the cultural experience. For instance, in Frankfurt, visitors can scan QR, or “quick response,” codes with their smartphones at different monuments, fountains, and artworks to obtain more information, including the artist’s name, the history of the attraction, and other details.

Generating New Revenues. Websites and digitized content can provide new sources of income to cultural institutions. By 2002, revenue growth had stalled at New York’s Metropolitan Opera, the average age of audience members had risen to 65, and ticket prices had to be discounted to fill the house. Today the Met offers live high-definition broadcasts in movie theaters in 60 countries—a substantial source of new revenue. The HD broadcasts reach 3 million people, compared with just 800,000 who visit the opera house, and donations are up by 50 percent. Online donor solicitation, shopping, and gift cards can also boost revenues for arts organizations with a website.

Promoting Consumer Engagement. As traditional audiences age, cultural organiza-

tions must find ways to connect with and stay relevant to younger audiences, who grew up immersed in digital technology. Creating a presence on social media, developing mobile apps, and building a website that offers features such as video streaming, online communities or discussion groups, and user-generated content such as performance reviews can help organizations build stronger relationships, increase loyalty, and encourage advocacy among younger consumers of the arts.

These are powerful benefits that can fundamentally change how people appreciate and interact with the arts—especially given current global trends: one-third of the world’s population is now online, mobile devices are growing in popularity, high bandwidths that support HD streaming are increasingly available, and innovations in related technologies continue to emerge. Forward-looking organizations, investors, and policymakers must actively seek ways to capitalize on these opportunities.

Getting Started

To drive success in this new digital world, political leaders in cities and towns must embrace and support it, especially in Europe, where cultural activities are heavily subsidized by public budgets. Moreover, cultural institutions and their leadership teams must

recognize that capitalizing on the new technologies will have implications for all aspects of their organizations: strategy, program development, sales and marketing, distribution, fundraising, and recruitment. As such, moving forward on the digital front must be a top-down initiative and a key part of the executive agenda—not just an assignment handed off to younger staff members. Moreover, the executive team must show its commitment by allocating resources to the effort.

Moving forward on the digital front must be a top-down initiative and a key part of the executive agenda.

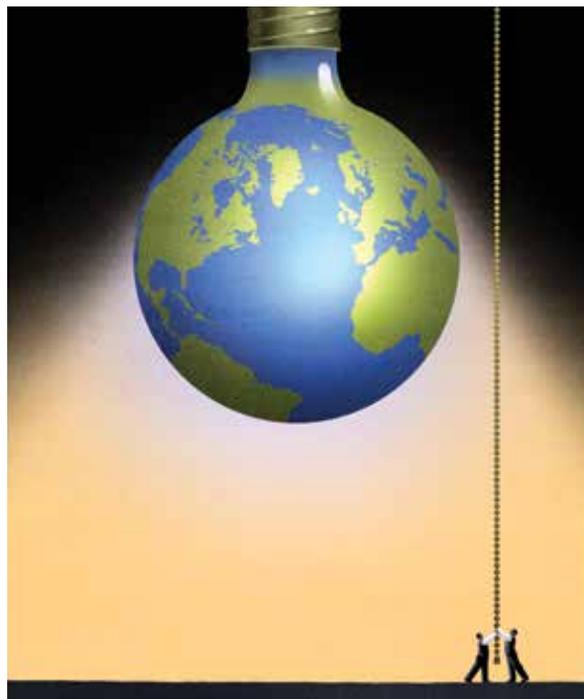
For inspiration and support, look outside your organization. Observe what other institutions and companies in other industries are doing, and learn from their best practices. Survey your audiences, members, donors, and website visitors about their needs and the features they'd like to see. Consider approaching other arts organizations, local universities, or the city or town in which you operate to gather knowledge, establish a center of excellence, or develop joint digital initiatives. For instance, New York City provides integrated support and funding for digital projects through its Social Media Advisory and Research Taskforce, the Department of Cultural Affairs, and the NYC Digital group.

Finally, don't be afraid to experiment. Analyze your successes and failures, and apply the lessons learned. It may take several attempts before your organization finds the right formula. By setting specific business objectives, testing different digital platforms, and measuring the relative impact of new initiatives, cultural organizations can begin to see which approaches work best with their target audiences and potential donors.

This article was contributed by Antonella Mei-Pochtler, Rainer Reich, and Tibor von Mery. Antonella Mei-Pochtler is a senior partner and managing director in the Vienna and Munich offices of The Boston Consulting Group. Rainer Reich is a former senior partner and managing director in BCG's Vienna office. Tibor von Mery is a consultant in the firm's Houston office.

PART II

SHARING VIEWPOINTS



THE GATES FOUNDATION'S JEFF RAIKES ON CATALYZING CHANGE

AN INTERVIEW WITH THE FORMER CEO

AS JEFF RAIKES WILL tell you, the strategies that made Microsoft successful are not all that different from those that enable a philanthropic organization to make a real difference in the world. Among the parallels: the need to partner effectively and the ability to eliminate silos and foster cooperation.

Raikes, a former top executive of Microsoft, brought that mindset to the Bill & Melinda Gates Foundation, where he served as CEO from 2008 through April 2014. During his tenure, Raikes focused on positioning the foundation as a powerful catalyst for progress on seemingly intractable problems such as global health. To achieve this lofty goal, Raikes had to leverage a vast network of partners to achieve concrete, measurable goals.

Raikes' career in the private sector has also made him a firm believer in the power of competition. Competitive pressure can lay bare a company's weaknesses or missteps, driving the organization to adapt or die. Raikes remained similarly attuned to opportunities for improvement in philanthropy, engaging directly in a dialogue with critics of the foundation's education efforts in the U.S. for example. Being open to divergent views, Raikes argues, "really raises the level of your game."

Shortly before his departure from the foundation, Raikes sat down with Wendy Woods, a senior partner and managing director in

BCG's Boston office and the global leader of the firm's Social Impact practice, to discuss how philanthropic organizations can deliver outsized results. Edited excerpts from that conversation follow.

The video interview was conducted as part of *Leading in a Complex World*, BCG's series of discussions with corporate and public-sector leaders about thriving amid uncertainty. The video can be viewed at bcgperspectives.com.

You served as CEO of the Bill & Melinda Gates Foundation for more than five years after a very successful career at Microsoft. What was the highlight of your tenure?



The organization really is about having impact in society, taking on issues of equity, and helping enable all people to have an opportunity for a healthy and productive life. At the end of the day, you look at things such as: How many lives were saved because we were able to get kids vaccinated? How close are we now to polio eradication? Are we helping teachers be the best they can be through good teacher evaluation and clear standards such as the Common Core State Standards?

For me personally, I am most proud of helping increase our capacity for that type of impact.

The foundation aims to have an impact in very diverse areas and has set very audacious goals. At the same time, however, it is a relatively small organization. How do you ensure you are effectively delivering on those goals?

In order to have broad impact on a global scale, we have to think in terms of being a catalyst and providing leverage. My career at Microsoft really helped me on this. A big part of Microsoft's success was a business model designed around engaging partners. When I was there, more than 750,000 companies made a business out of Microsoft's business. That's a very catalytic, highly leveraged way to operate.

At the foundation, we have to think in the same way. We have what to some might seem like large financial resources, but relative to the scale of the problems that we're taking on, they're a small percentage of what is needed. So we have to think in a very catalytic, very leveraged way—engaging partners and getting aligned along outcomes. We call this *catalytic philanthropy*.

The foundation teams with and depends heavily on vast numbers of external partners in order to have real impact. How do you manage the complexity of working with those partners and grantees?

That's fundamental to how we approach our philanthropy. You have to think: What's going to be in their best interests? What do they care about? What do we care about? How do we get aligned along those kinds of out-

comes? To achieve our goals, we really have to think in terms of guiding our initiatives through this big ecosystem.

Making this happen requires great leaders and leadership. Great leaders are people who recognize the importance of engaging in a really, rich, constructive relationship with the vast number of partners we have. Great leadership means that they serve as role models of that engagement for people throughout the organization. That's something that I try to do in my role. And I hope that that is reflected throughout our leadership, right down to the program officer who is meeting with a grantee in sub-Saharan Africa.

A good example was my decision a few years ago to personally engage with the critics of our U.S. education work. I wanted to show the rest of our leadership how important it is for us to be intellectually curious, not only among those with whom we work closely but also with those who may criticize our work. In business, competition is a very good thing. It really raises the level of your game. Similarly, in philanthropy, you have to listen to the critics. They may have insights about your work that would cause you to shift your strategy or that will determine how you need to respond to such criticism through your messaging.

You are working on some of the hardest problems in the world, areas of tremendous uncertainty, and a diversity of viewpoints and critics. How do you sort through that large stream of information to arrive at your investment decisions?

We're taking on really hard problems. Given how important they are to society and to the global community, if they were easy to solve, they would have already been solved. I have a rule of thumb on this. Any time that you take on a really tough problem, it's likely that the solution is ambiguous. The more ambiguous the solution, the more important it is to get rich and diverse input and then use your good judgment. At the same time, you have to be willing to suspend your fear of judgment by others because you're going to get some things right and you're going to get some things wrong.

I say to all of our employees, “Even if your grants or strategies don’t fully succeed, we only fail if we don’t learn.”

Knowing that there will be failures given the difficulty of the problems you are tackling, how do you balance the ability to learn with the need to maintain accountability in the organization?

I think you have to establish discipline and appropriate rigor. We have four core values at the Bill & Melinda Gates Foundation: innovation, optimism, collaboration, and rigor. One of the reasons Bill, Melinda, and I highlight rigor is to stress the importance of using data and evidence in decision making.

One of the beauties of philanthropy is that a lot of it comes from the heart—caring about improving the world or contributing to people having a better life. At the same time, you want to make sure that passion—that heart—is directed in ways that will really make a difference. So that sense of rigor—that use of the mind to drive what we do—is very important. It’s critical that we balance the heart and the mind.

You are known for pushing leaders to work as a team and for encouraging teamwork across the foundation. How do you make that happen?

When I came here, I inherited something that is very common within fast-growing companies and startups in high tech. When you want to grow rapidly, it’s very logical for leadership to segment the mission, to put leaders in place within those segments, and to tell them to run as fast as they can. That’s a very good growth strategy. But one of the unintended consequences of that approach is that you end up with silos. Given how rapidly the Bill & Melinda Gates Foundation grew, it was somewhat natural for some silos to develop.

Part of my job as the CEO was to break down those silos and build teams. One of the techniques I used was restructuring the organization. Another technique was picking the right kind of leaders. Another was to try and set a cultural tone to emphasize the importance of working together.

Were there other things you’ve done in the organization to reduce or manage some of the complexity?

One of the things that I did in the first 120 days or so of my tenure was to sit down with teams across the foundation. I think I had roughly 30 meetings with small groups of program officers. At the Bill & Melinda Gates Foundation, program officers are a little bit like software developers and program managers in the software business. Those are the folks who create the code, the products.

I listened in those meetings to learn what issues were holding people back. One of the most important was a lack of clarity in a number of areas—in how decisions were being made, what the roles were, and what the goals were. As a result, we introduced the term “hygiene.” We wanted to clean things up, to get clear about roles and goals. This included clarity on how decisions were to be made; what the timeline was for actions; who was going to provide input; and who didn’t need to provide input but needed to be informed so they could carry out the decision.

We really emphasized this term hygiene, which represented getting to that level of clarity. We talked about the importance of collaboration. We talked about the importance of quality intellectual dialogue and the importance of management effectiveness. I laid out those principles and synthesized them into what we called the How We Work Together Principles. Then in the succeeding year, as part of the performance review process, I evaluated the top 30 or 40 leaders in the organization on how effectively they were representing those principles in their work.

Jeff, you’ve chosen to move on from the foundation. What’s the legacy you want to leave behind?

Even if your level of resources stays the same, if you can improve by 7 percent each year in terms of using those resources effectively, in 10 years you double your capacity for impact. If I have helped shape this organization in ways that will significantly increase its capacity for impact in the years to come, then I’ll be very proud of the legacy that I leave behind.

ERTHARIN COUSIN ON BECOMING FIT FOR PURPOSE

AN INTERVIEW WITH THE UN WORLD FOOD PROGRAMME'S
EXECUTIVE DIRECTOR

ERTHARIN COUSIN IS THE executive director of the United Nations World Food Programme (WFP), the world's largest humanitarian agency that works to meet urgent food needs while championing longer-term solutions to food insecurity and hunger. In recent years, the organization has been shifting its focus from food aid to food assistance, developing new tools to respond to critical food needs with the goal of reducing dependency and supporting global efforts to find long-term solutions to hunger. In 2003, WFP became a global social impact partner of The Boston Consulting Group. BCG has worked with WFP to increase the effectiveness of its strategy, operations, organization, and knowledge management. Joint initiatives include developing a cooperative and collaborative approach for nutrition interventions; quantifying the impact of WFP's school meals and other safety-net programs; enhancing WFP's funding model; and improving the organization's scale-up of emergency food reserves.

Federico Lalatta Costerbosa, a former partner and managing director in the firm's Milan office, spoke with Ertharin Cousin in April 2013 about the challenges and opportunities that WFP faces in the fight against hunger. The following are excerpts from the conversation.

Maybe we'll just start by describing a bit what WFP does and what its objectives are.

WFP employs about 14,000 people in more than 80 countries. And with those 14,000 people, we support the food assistance needs of over 90 million people every year. That work includes not just feeding stomachs—which is what WFP was known for for many, many years—we were the organization that got large amounts of food to large numbers of people fast, in an efficient and effective way. What we have recognized is that if we really are to resolve the issue of food insecurity, it's not just about feeding stomachs. We must transform our assistance to not just food aid but to other forms of assistance as well. In many cases, food is available; it's just not accessible to the poor. And so providing accessibility through cash and vouchers programs, school feeding programs, other opportunities that support market development—that's what WFP is very much about.

Next week, it will be one year that you've been executive director of WFP. How do you see yourself in the role of the leader of this organization?

I smile, because as I have gone through this year, and as I come to the close of the year, people say, "You've done a great job." "You've been a great leader in a year." The reality of it is, I lead a great team. And the mark of any good leader is the ability to recognize the strengths of a good team, and to motivate people to bring those strengths to the table

every day. In order for us to transform this great team to an even better team, we need to transform their skills, change some of our processes in how we deliver services. People have worked together to not just recognize what's needed but to help us achieve the outcomes that we all recognize are necessary for us to become the organization that the world needs from us in 2020 and 2050.

You've set a very ambitious transformation agenda for WFP.

Ambitious is a good word. Thank you. What we call it is: "how do we become fit for purpose?" If we are going to move from being what we've always done in the past—moving large amounts of food to large numbers of people—to becoming the efficient and effective deliverer of food assistance programs, it means that we need to transform processes, we need to change the skill sets of those who work at country level, we need to provide different resources at country level. And what that requires is that we not only focus on what we do but how we do it, and how we fund it. Those are all very difficult questions to ask of an organization. But the good part about it is that we recognize that this is a journey, and we've begun the process that is necessary to achieve our goals.

What have you learned in this year?

In Italian, there is a saying everyone uses, "piano, piano,"—one step at a time. I've learned the truth of that statement working here at WFP. Because you want to come into a new organization and, after you've identified the changes that need to be made, jump in and begin to do the work to make those changes. And what you realize—with a very large UN organization that's spread across the entire globe with as many people as we have—is that it's "piano, piano," it's step by step. It's not going to happen in one year, and many of the changes that we are working to achieve will not happen in five years. But we'll see the direction of the organization move; we'll see structural changes inside the organization, so I've learned patience. Calm down a bit, it's all going to happen, and as long as we are moving in the right direction, it's OK.

What are the most substantive issues you've worked on in the last 12 months?

This has been, as we've talked about, a year where we've assessed the changes that are necessary to move WFP from a good organization to a great organization. And inside of that work, of course, we're not just looking at processes; we look at what are the issues, the substantive issues WFP must focus on as we continue to move forward to meet the food assistance needs of those we serve. We are in a time when availability of food is no longer the major challenge for why people are food insecure. So what the challenge is today is an issue of access, food in locations where the hungry people are not in those locations, and the inability to move food from the locations where it is harvested to the locations where it is needed, resulting in many countries experiencing up to 50 to 80 percent waste or loss of agricultural harvests, while people in that same country go hungry.

If we think about the fight against hunger, are you optimistic?

I am always optimistic. I am a glass-half-full kind of person all the time. And if we look at the history of the fight against hunger, 50 years ago when WFP started, our largest recipient country was China. And today, not only is China no longer a recipient of WFP [assistance], but it is also a very dynamic economy on its own. China is feeding its own



people with surpluses. So, where we work is changing over the life of this organization, because countries are continuing to move forward.

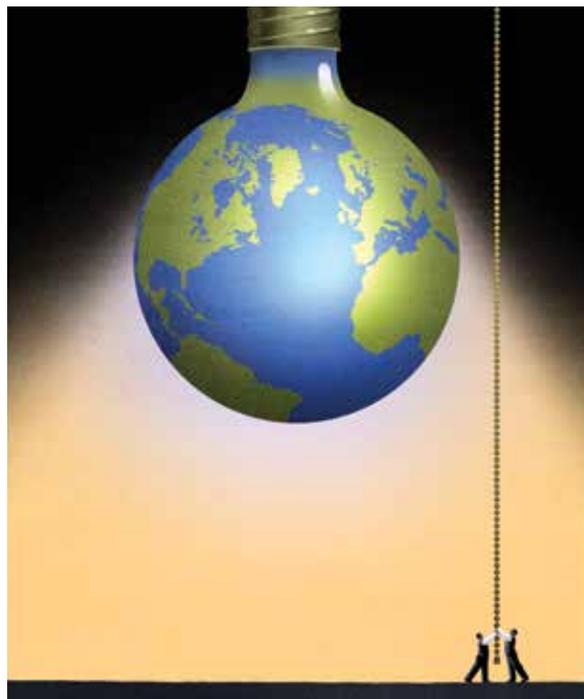
Our challenge is to ensure that the progress that we've seen in Southeast Asia—that we transfer that same success story to our work in sub-Saharan Africa because the percentage who are food insecure is greater in sub-Saharan Africa than it is anywhere else on earth. And so, unless we begin to create the structural change that's necessary in many of the countries we serve there, we can't make a difference in those numbers. But we know we can make a difference, because we've done it before. It's about bringing the right tools to the countries to support

not just the immediate needs, the food assistance needs of those we serve, the nutrition needs of those we serve, but working with governments to help them build their capacity so that ultimately families can feed themselves. That's how we reduce hunger. That's how we eliminate hunger.

So yes, I am very, very positive about the opportunities that are ahead of us. But I also recognize that there are challenges that we must overcome in order to seize those opportunities. And that will require us to build more partnerships with the private sector, more partnerships with the governments that support us, as well as more partnerships with the governments and communities where we work.

PART III

PROFILING BCG'S WORK FOR SOCIAL IMPACT



OVERVIEW OF PROJECTS

During 2012 and 2013, BCG completed more than 500 projects, working with over 200 organizations around the world, including multilateral organizations, nongovernmental organizations (NGOs), foundations, governments, and businesses. Below we highlight a few of these projects by topic.

Environment

The world's population has more than doubled since 1960. That trend, combined with the economic growth of emerging economies, results in a rising demand for many natural resources that is damaging the global environment. To ensure the health and prosperity of future generations, BCG works with the public, private, and nonprofit sectors in areas such as climate change, resource management, alternative energy, and habitat and wildlife conservation. The following projects are examples of our work in the environment.

Fundación Barrié: Making Better Use of Forestry Resources in Galicia, Spain. Fundación Barrié is a privately funded organization whose mission is to promote the sustainable development of Galicia; it has a special focus on education and talent development. In 2012, the government of Galicia approached the foundation and its network of alumni and asked them to offer solutions for improving Galicia's forestry sector, a key

industry that represents 3 percent of the region's GDP and generates about 70,000 jobs. Although the Galician forest occupies 70 percent of the region, 30 percent of the forest remains unused. After analyzing the situation, BCG, together with alumni from Fundación Barrié, developed a report detailing ten measures to improve harvesting and boost the forest industry—measures that could have a combined economic impact of €2.7 billion. The recommendations include increasing the volume of certified sustainable wood, improving tax incentives, restructuring forestry cooperatives, identifying new uses for the forest, and promoting R&D in the industry.

WWF: Transforming Globally to Further Environmental Conservation. WWF is a networked organization made up of many country-level organizations. As its fiftieth anniversary approached, WWF recognized the need for change both to keep up with a fast-moving world and to better deliver on its mission of achieving greater conservation impact, protecting livelihoods, maintaining biodiversity, and reducing environmental footprints. To achieve this mission, WWF recognized the need to increase its local strength in the countries most important to its mission and to enhance coordination across the entire organization. BCG worked with the global WWF leadership team to develop a "Truly Global" roadmap and to

implement a multiyear transformation. The program has changed WWF's global funding model to shift resources to strategic, long-term efforts and improve accountability between members, while seeking to reduce a significant reporting burden. Furthermore, WWF redirected its resources toward building greater capacity in country offices across Africa, Asia, and Latin America. It also put in place an improved process for developing local priorities. The changes get to the heart of how WWF allocates resources, makes decisions, and collaborates across its network and with partners.

WWF-Hong Kong: Reducing Manufacturers' Carbon Footprint in China. WWF-Hong Kong's Low Carbon Manufacturing Programme (LCMP) is a combination of software, benchmarks, and certifications that help factories in China reduce their carbon emissions. The program has been effective, but it needed to be scaled up to boost its environmental impact. The BCG team interviewed manufacturers, industry associations, and government officials to identify ways to strengthen the program. By acting on these recommendations and improving the program's communication materials, WWF-Hong Kong expects to increase the commitment of the participating factories and attract new ones. This will enable the organization to achieve financial self-sufficiency for the program and to further reduce the carbon emissions of factories in China.

Development

Around the world, 2.4 billion people live on less than US\$2 a day, and more than 800 million are undernourished. BCG's work in global development focuses on reducing poverty; improving nutrition and food security; increasing access to clean water and sanitation; and providing low-income populations with greater access to credit, insurance, and other financial services. We work with public, private, and social sector organizations to address these issues. Our work has a particular focus on improving the plight of children and women, often the individuals most at risk in an already vulnerable population. The following projects are examples of our work in development.

Bill & Melinda Gates Foundation: Turning New Sanitation Technologies into Marketable Products. Each year, poor sanitation contributes to 800,000 diarrhea-related deaths among children under age five and affects the economic productivity of all developing nations. Globally, 2.5 billion people lack access to a sanitary toilet. Many others use pit latrines and septic tanks, which require that sludge be emptied, transported, and treated. Unfortunately, anywhere from 30 to 100 percent of that sludge is inadequately treated, used directly on farmland, or dumped illegally into rivers or streets. The sanitation problem is most acute in sub-Saharan Africa and South Asia. To address the problem, the Bill & Melinda Gates Foundation funded the development of new technologies designed to improve sanitation and solve this global sanitation crisis. BCG was engaged to analyze how to turn these innovations into marketable products. To this end, the BCG team modeled user/purchaser economics, identified critical consumer needs and technical requirements, outlined strategies for building new partnerships to advance the R&D process, and identified high-potential candidates for partnership.

Opportunity International: Fighting Poverty by Providing Financial Services. Opportunity International (OI) provides access to savings accounts, small business loans, insurance, and training to more than 5 million people working their way out of poverty in the developing world. Clients in 22 countries use these financial services to grow businesses, provide for families, create jobs, and build a safety net for the future. Operating within the troubled microfinance industry, OI recognized the need for new leadership, a clearer strategic vision, more efficient operations, and a simplified governance structure to maximize client impact. BCG worked with OI's leaders in headquarters and in country operations in India, Uganda, and Nicaragua to clarify the organization's vision, focus the portfolio on high-need and high-impact markets, and improve operational excellence. The team recommended that OI invest in mobile platforms and agent networks to significantly reduce costs while expanding the reach and richness of its programs. On the basis of BCG's recommendations, the organization

hopes to increase its funding by 40 percent over three years by offering new global debt and liquidity funds, and it has set the goal of creating 20 million jobs by 2020.

Save the Children International: Improving Efficiency, Effectiveness, and Productivity in Country Offices. Save the Children International (SCI) wanted to increase the impact of donor funds by spending less on internal processes and reporting and spending more on achieving its mission—improving the lives of children. To this end, BCG worked closely with SCI to increase the efficiency, effectiveness, and productivity of its country offices. BCG identified seven opportunities for improvement, which included streamlining local processes and simplifying local generation of reports. The BCG team worked with the offices in Kenya, the Philippines, and Bangladesh; determined which levers would deliver the greatest impact; and then tested the new ways of working during three-week pilot programs. BCG developed a playbook to help SCI conduct similar reviews of other country offices. The identified levers have been incorporated as best practices by SCI's operations department and will be part of a global rollout over the next three years across all countries. The improvement efforts have the potential to generate millions of dollars in cost savings that can be used to improve the lives of children around the world.

World Food Programme and The Children's Investment Fund Foundation: Improving Nutrition for Children Under Two Years Old. Worldwide, according to UN estimates, 165 million children under the age of five suffer from chronic undernutrition, which can impair mental and physical development, lower school performance, and limit achievement in adulthood. More than 3 million children die annually from chronic undernutrition. Although the stunting caused by undernutrition—that is, children's failure to grow to the expected height for their age—cannot be treated, it can be prevented if it is addressed during a child's first 1,000 days—a special window of opportunity. To this end, the World Food Programme and The Children's Investment Fund Foundation, with support from BCG, set up an innovative multicountry pilot program to support

nations in Africa in reducing stunting by providing specific interventions to children under the age of two and their mothers. The interventions include providing nutrition counseling, promoting exclusive breastfeeding during a child's first six months of life, and supplying nutritional food supplements thereafter. The goal of the pilot programs is to develop a large-scale model that can be replicated in other countries.

World Food Programme India: Improving Food Security through Technology. India's Targeted Public Distribution System (TPDS) is the world's largest food-distribution program, targeting more than 800 million people with subsidized food grains from over 500,000 distribution points. Unfortunately, the TPDS has been plagued by loss and corruption, and it is estimated that only about half the food distributed through the system reaches the intended beneficiaries. In partnership with the World Food Programme, BCG has developed a solution that is built on technology and biometrics and identifies eligible beneficiaries on the basis of fingerprint, iris, or face scans. With a payback period of only one year, the new system helps to ensure that food goes to the intended populations. Currently being piloted in the state of Odisha—home to more than 40 million people—the system, it is hoped, will eventually be made available nationally.

Health

Infectious diseases and family health issues that are well controlled or even eliminated in developed countries still cause immense suffering in the poorest parts of the world. BCG works with public, private, and social sector organizations to address this inequity. Together with our partners, we define strategies to develop and deliver life-saving interventions to underserved populations. We also help improve our partners' organizational effectiveness, so they are better equipped to achieve their goals of saving lives and improving health in the world's poorest countries. The following projects are examples of our work in health.

Bill & Melinda Gates Foundation and Global Polio Eradication Initiative: Developing a Plan to Eradicate Polio. Polio is nearly

eradicated, but the virus remains in three countries: Pakistan, Afghanistan, and Nigeria. In all of these countries, there are two main challenges: ongoing political unrest that keeps health workers from reaching at-risk children, and the mobility of the populations. Overcoming these challenges is difficult, since vaccine programs require detailed planning. Moreover, until the disease is fully eradicated, the threat of resurgence remains. For instance, outbreaks in Pakistan could spill over into India, which today is certified polio-free. Working closely with the Bill & Melinda Gates Foundation, the BCG team developed an eradication plan aimed at interrupting the transmission of the virus. The plan focuses on fighting the disease with stronger vaccines; closely monitoring environmental factors by, for example, testing sewage and stool samples for the virus; and providing long-term funding to affected communities. In 2013, the World Health Organization endorsed the plan at the World Health Assembly, and implementation is currently underway.

Bill & Melinda Gates Foundation: Utilizing Kangaroo Mother Care to Save Preterm Babies. Kangaroo Mother Care (KMC) is an approach to caring for preterm infants that improves survival rates by promoting continuous skin-to-skin contact, breast-feeding, and adequate follow-up care for the infant. Such care delivers improved outcomes even relative to incubator care, making this approach relevant in all geographies but particularly relevant where incubators are not available. Despite its efficacy, however, many countries have failed to adopt KMC as part of their national guidelines for treating preterm infants. Global adoption for the KMC approach has been very low, limited by a number of socio-cultural and resourcing barriers. In some communities, holding a baby skin-to-skin is viewed negatively. In other instances, mothers who lack family support may be too tired from other chores to practice KMC. To address these problems, BCG worked with the Bill & Melinda Gates Foundation to interview global stakeholders—such as civil society organizations, public health researchers, and physicians promoting KMC—and facilitated a meeting of more than 40 leaders in the field of maternal and newborn health. With Save the Children acting as secretariat, BCG and

the Bill & Melinda Gates Foundation also helped establish the KMC Core Group, which comprises organizational leaders and country representatives, to advance adoption of the KMC approach. These efforts increased global alignment around the importance of a “mother-centric approach” and the need to anticipate and preempt any likely barriers to the practice of KMC.

Bill & Melinda Gates Foundation: Moving from Controlling to Eradicating Malaria. Although malaria deaths have fallen by more than 40 percent globally since 2000, the disease still affects more than 200 million people each year. In 2012 alone, it caused an estimated 627,000 deaths—mostly in Africa; more than three-quarters of these were children under the age of five. In the past, organizations have focused on controlling malaria, but the Bill & Melinda Gates Foundation has a more ambitious goal: to eradicate the disease entirely. BCG helped the foundation develop an eradication strategy that focuses on using existing diagnostic, drug, and transmission-prevention tools and on investing in the development of new tools. Eradicating malaria will save millions of lives and billions of dollars.

The Global Fund to Fight AIDS, Tuberculosis and Malaria: Transforming an Organization to Save Lives. In mid-2011, the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) found itself at a critical crossroads. Some donors had suspended their investments in the organization after reports that up to 10 percent of funds were being used fraudulently by the recipients. After ten years of progress fighting against AIDS, TB, and malaria, the future of the organization was at risk. BCG was brought in to revise GFATM’s business model, identify operational improvements, and make it easier to ensure that donations are being invested as intended. These changes are transforming GFATM and reengaging donors. By 2016, GFATM hopes to provide 7.3 million AIDS patients with antiretroviral therapy and 21 million patients with TB treatment, while also distributing nearly 400 million bed nets to reduce the spread of malaria. Taken together, these initiatives will save 15 million lives and secure the future of GFATM.

Education

Education is a critical investment for any society committed to a better future, as it is a powerful tool for combating poverty and inequality. BCG's work in this area supports the needs of students and educational systems around the world, with a focus on improving student achievement. We work with primary and secondary schools, institutions of higher education, providers of vocational training, for-profit education providers, and strategic intermediaries and foundations. The following projects are examples of our work in education.

Education Above All Foundation: Setting Strategy and Vision. BCG was engaged to support the creation of a new foundation, Education Above All (EAA), a global initiative based in Doha, Qatar, under the leadership of Her Highness Sheikha Moza bint Nasser. EAA advocates a universal right to education and serves as the headquarters for a number of international programs that protect and promote educational opportunities for marginalized children. BCG was tasked to assist EAA both in integrating and incorporating existing programs of different sizes, operating models, and maturity, and in developing new initiatives. The team developed the strategy for the new foundation, its operating model and governance, organizational design, business and financial plan, and implementation plan. This effort created a clear mission, vision, and a five-year strategic and organizational roadmap for implementation. The new strategy and organizational structure were endorsed by EAA's Board of Trustees at their inaugural meeting during the World Innovation Summit for Education (WISE) conference in October 2013. Implementation is presently underway.

French Ministry of Education: Improving Education in Underprivileged Areas. France's children living in underprivileged areas consistently test below the national averages. To address this problem, the country's government sought to allocate funds differently, taking into consideration the gaps in academic achievement across regions and schools. Providing extra funding to schools in underprivileged areas in this way would allow children with lower scores to receive extra

instruction, would improve school quality and management, and would introduce more innovative teaching methods. A BCG team was engaged by the Ministry of Education to evaluate the current budgeting process and design a more equitable way to allocate resources among regions and schools. The team's recommendations were included in the national education plan, which was announced by the government in January 2014.

Shelby County Schools: Supporting the Largest Merger of School Districts in U.S. History. Due to precarious finances, Memphis voted to surrender its school charter, and a federal judge ruled that the urban and nearby Shelby suburban school districts would be combined. The Memphis and Shelby school merger is the largest in U.S. history, affecting 150,000 students. BCG worked closely with the commission team to develop academic, operational, and financial plans for the merged school district. Our priorities included improving student achievement, expanding early childhood education, increasing teacher effectiveness, and closing a \$150 million budget gap without reducing the number of teachers. The plan has been implemented, and the two districts fully merged in 2013. Initial improvements in student achievement are promising. In the National Assessment of Educational Progress exams conducted between 2011 and 2013, Tennessee showed the largest gains of any state in fourth-grade reading and math.

Teach For All: Improving Staff Engagement and Morale. A highly engaged staff is critical to organizational effectiveness, but few organizations address or measure it—particularly small, growing institutions. Teach For All is a growing network of 32 partner organizations that share a vision of expanding educational opportunity. To ensure a solid foundation for future growth at partner organizations, Teach For All sought BCG's help in assessing and improving staff engagement levels and morale. Across the 14 participating partner organizations, three strengths that emerged are a strong belief in what each organization is trying to achieve; managers who care about their employees' well-being; and employees who see that management is committed to the organization's goals. Some

of the challenges facing these organizations included lack of clarity on manager expectations and career progress; functional silos that kept the staff from feeling fully informed; and managers who lacked training in HR and business. To address these issues, BCG recommended improvements to performance management, teaming processes, and staff training. BCG also developed action plans, training and documentation manuals, and knowledge-sharing processes that will enable Teach For All partner organizations to address future challenges.

business@school: Bringing Business Education to Classrooms. Over the past 16 years, BCG's business@school education initiative has introduced 20,000 high school students to business and entrepreneurship at schools in Germany, Austria, Italy, Switzerland, and the United States. The program, founded and run by BCG, offers high school students on-site coaching by volunteers from BCG and over 20 other companies. During the program, students learn firsthand about large and small local companies and develop their own business ideas and business plans. In 2013, the program added a social entrepreneurship aspect, and former participants—now entrepreneurs themselves—pitched their ideas to so-called angel investors. Besides benefiting the students and their teachers, the program provides personal development for the volunteers and helps prepare the students for life after school.

Community

BCG works with nonprofits, foundations, city, regional, and national governments, and other local organizations to improve the quality of life in our communities around the world. Our projects with clients range from supporting job creation for underprivileged youth to developing funding strategies for a regional non-profit to grow low-income housing to increasing the reach of a food bank. The following projects are examples of our work in community.

Jawun: “Closing the Gap” Between Indigenous and Non-Indigenous Australians. Across all dimensions—including life expectancy; health; employment; and school attendance,

completion, and achievements—the outcomes for Indigenous Australians fall drastically short of those for non-Indigenous Australians. Although Australian governments spend \$25 billion each year to reduce the gap, it persists. In 2013, BCG supported the design and facilitation of a process that brought together Indigenous organizations and leaders from remote, regional, and urban Australia, for the purpose of identifying more effective and efficient ways to empower Indigenous Australians and to improve their life circumstances. The effort, which started with a wide-ranging conference, promoted collaboration among these groups, and encouraged them to share their successes and to align on a common vision. Drawing on lessons learned both from the conference and BCG's 14 years of work with Indigenous organizations, BCG supported Indigenous leaders to develop a proposal for redesigning the current government system that serves Indigenous Australia. This included articulating principles of responsibility that should govern relationships between governments and communities; defining a more efficient funding system for government support of communities; increasing Indigenous involvement in service delivery; and helping to develop more extensive corporate support to assist in building Indigenous capabilities. The redesigned system is intended to close the performance gap and make more effective use of government resources, and it has gained bipartisan government support. A joint task force of government, Indigenous leaders, and corporate supporters is developing the details of the new system.

Joblinge: Tackling Unemployment Among Underprivileged German Youth. In Germany, 300,000 young people between the ages of 15 and 24 are unemployed, and another 270,000 are making the transition from education to work. BCG joined forces with BMW's Eberhard von Kuenheim Foundation to develop a solution for better integrating underprivileged youth into the country's primary labor market. Together, they created Joblinge, an organization that teaches social and professional skills and provides opportunities for participants to prove themselves in apprenticeship positions. With a placement rate exceeding 65 percent and a far lower cost per

placement than similar programs, Joblinge is a faster, cheaper, and more scalable alternative—and growing rapidly because of its success. With 11 sites in Germany today and 1,850 placements, Joblinge plans to expand to 20 sites and 6,500 placements by 2020. BCG has taken on operational responsibility for Joblinge, ensuring quality and effective financial management, establishing new sites, and organizing Joblinge as a social franchise.

Ninohe City, Japan: Generating Job Opportunities Post-Earthquake. Already badly damaged by the Tohoku earthquake in 2011, the city of Ninohe also suffers from a shortage of attractive job opportunities, especially for young adults. As a result, income levels are lower there than in the region's other cities. BCG worked with the city to develop an industrial strategy to generate more opportunities. The BCG team evaluated past activities in economic growth, analyzed the key success factors of well-industrialized cities, established a strategic plan, and estimated likely financial outcomes and benefits. The new strategy—named the Ninohe Fruit Kingdom—aims to significantly enhance the city's potential by focusing its efforts on producing and processing fruit. The collective effort hopes to gradually improve the mindset of Ninohe residents, leading them once again to believe in their city's potential. The effort is expected to deliver additional income of ¥15 billion and create more than 1,800 job opportunities by 2023.

TECHO: Creating a Five-Year Funding Strategy for Regional Expansion. TECHO is a youth-led nonprofit that seeks to overcome poverty in the slums of Latin America and the Caribbean. It uses the joint work of volunteers and community residents to implement community development programs, foster social awareness and action, and promote advocacy. After ten years of successful growth in Chile, TECHO developed a regional expansion program that required more funding to execute. BCG worked closely with the organization to develop a five-year funding strategy to triple its annual revenues to realize its growth plan. The team analyzed the donor market, identified target segments, and developed a plan for each segment. The increase in funding will enable TECHO to engage in active work

in more than 2,000 slums, provide housing solutions to 50,000 families, and mobilize more than 300,000 volunteers by 2017.

Culture

Cultural organizations fulfill societal needs for creative expression, appreciation of the arts, and cultural preservation. BCG works with a broad range of cultural organizations, including museums, associations, foundations, and performing companies. We help these organizations address their key operating challenges by bringing our expertise in strategy development, fundraising, marketing, organizational redesign, and governance. The following projects are examples of our work in culture.

The Field Museum in Chicago: Staying Relevant in the Twenty-First Century. Chicago's Field Museum is one of the world's largest natural-history museums, but like many cultural institutions, it has been unable to boost attendance in recent years. To stay relevant to twenty-first-century audiences, the museum brought in BCG to interview the museum staff and the public—and to research how other cultural institutions are responding to changing times and achieving public relevance. The team recommended a number of initiatives, such as connecting with the public through behind-the-scenes tours, creating a two-way experience using digital technology, and bringing the museum's collections and science experts beyond the museum's walls. The Field Museum has begun experimenting with these initiatives during the first phase of a longer-term transformation.

MACBA: Ensuring the Future by Improving Financial Performance. Founded in 1995 in Barcelona, MACBA (Museu d'Art Contemporani de Barcelona) is a leading European art museum, with 700,000 visitors per year and a collection of 5,000 contemporary art pieces. Although public donations have been a critical source of funding—representing 85 percent of the museum's budget—these contributions have decreased by 30 percent since 2009, jeopardizing the museum's future. To address the problem, BCG worked with the MACBA team to develop a plan for

financial sustainability. The plan reviewed the mission, redefined the vision for the museum, and included a strategy to increase nongovernment income. The strategy called for generating more in ticket sales via higher attendance; enhancing the service portfolio of the museum by creating a new food and beverage offering, relocating the store, and repositioning the brand; establishing a new team and commercial approach to increasing revenues from space rental; creating a new team and methodology to achieve more sponsorships; and reducing costs. The plan is expected to double the museum's self-generated income over a five-year period and reduce dependence on public donations.

The Royal Concertgebouw: Improving Pricing and Marketing. Ticket sales at The Royal Concertgebouw in Amsterdam had been declining in recent years. BCG was engaged to help reverse this trend by developing strategies to increase ticket revenues and concert attendance. The BCG team worked closely with the concert hall's own marketing and sales department in analyzing sales patterns, event pricing, attendance data, and ticket demand to identify where prices could be increased to boost revenues and what measures could be taken to fill more seats. The analysis showed that certain seats and shows were extremely popular and could command higher prices. The team recommended a number of low-cost, high-impact measures that could be easily implemented. These measures included offering three levels of pricing based on the desirability of the seats and shows; closely monitoring the impact of marketing investments on ticket sales; and tailoring marketing efforts to specific customer segments. Since implementing these measures, the concert hall has seen attendance and revenues increase over the last year.

Special Olympics Korea: Celebrating Athletic Achievements of the Disabled. Founded in 1978, Special Olympics Korea (SOK) successfully hosted the 2013 Special Olympics World Winter Games in PyeongChang, Korea, and wanted to build on this success. However, the organization was facing low public awareness, capability constraints, and limited funds. BCG benchmarked the organization against leading Special Olympics groups in

other countries and other successful local and global nonprofits. To improve SOK's performance in marketing, fundraising, and program development, BCG helped clarify the organization's vision and goals, create a segmented marketing strategy, and develop a fundraising plan. Implementation of these initiatives is underway. SOK's goal is to achieve a significant increase in funding and national awareness among 80 percent of Korean citizens in 2020. Taken together, these gains will allow more athletes to participate in SOK programs—and more people to celebrate their achievements.

Business and the Social Sector

We believe strongly in the potential of *social advantage*—a company's ability to generate value and achieve competitive advantage by sustainably aligning its business model with the broader social and ecological context. We support corporations, industry associations, philanthropic bodies and nonprofit organizations to create links across sectors that enable corporations to have a greater impact on their communities through more collaboration and socially responsible business practices. The following projects are examples of our work at the intersection of business and the social sector.

Yunus Social Business: Understanding Lessons Learned from Social Businesses.

Yunus Social Business (YSB) creates and empowers social businesses around the world to sustainably solve social problems. Co-founded by professor and Nobel Laureate Muhammad Yunus, YSB initiates and manages incubator funds for social businesses in developing countries. A social business is a company with a primary objective of solving a social problem by applying business principles. BCG worked closely with YSB and Professor Yunus to analyze and extract lessons from ten social businesses that operate in Bangladesh today. Many of the ten social businesses are joint ventures between a Grameen organization and a corporate partner, each tackling a different social problem affecting people at the bottom of the economic pyramid. The project analyzed the value unleashed through the concept, with a special focus on the lessons and best practic-

es needed to succeed. The findings have been published in a joint report, *The Power of Social Business: Lessons from Corporate Engagements with Grameen*, authored by BCG with Professor Yunus and YSB. The report concludes that while social businesses are still an emerging concept, they have tremendous potential and can be a powerful vehicle for corporations as they allow companies to use their skills, expertise, and business networks to solve challenging social problems.

Impact Hub: Scaling up for Greater Impact.

Impact Hub, a fast-growing global network of people, places, and programs in more than 50 cities, connects more than 7,500 innovators and entrepreneurs. Combining the concepts of an innovation lab, business incubator, and community centre, each Impact Hub offers members a unique ecosystem of resources, inspiration, and opportunities to grow and have a positive impact on today's most pressing societal issues. On its steep growth trajectory, Impact Hub is seeking to reach 100 locations by 2015, focusing in particular on developing economies that would enable the organization to achieve the greatest impact. BCG was engaged as a strategic advisor and partner to help the organization create a growth strategy that would accommodate regional differences and adapt Impact Hub's business model as needed. Additional work included revising the existing governance structures, network services, and accountability mechanisms—changes that will lead to greater specialization and more distributed decision-making within the network. BCG continues to support Impact Hub's strategic direction and network strategy for 2015 and beyond.

Major European Airline: Increasing the Impact of Corporate Social Responsibility Efforts.

A major European airline sought a consistent and coherent strategy for its corporate social responsibility (CSR) activities to maximize social impact, employee engagement, and the visibility of its efforts. BCG developed an approach that capitalized on three core assets: the airline's fleet, the expertise of its people, and its customer network. The airline's CSR activities now focus on three key initiatives: global humanitarian efforts, regional education, and philanthropic

fundraising. In its humanitarian efforts, the airline will use its planes to transport people and cargo to disaster areas around the world, focusing on partnerships with a few organizations. In its education initiative, the airline's employees will act as mentors to unemployed youth in a job training program. In its fundraising initiative, the airline will establish ways to tap into its passengers' commitment to social issues.

Total Angola: Developing a High-Impact CSR Strategy.

Total Angola, the largest oil and gas producer in Angola, hoped to increase the impact of its CSR efforts. Despite significant CSR investments and strong on-the-ground presence, awareness of its efforts fell below expectations—most likely because the company's CSR investment portfolio was too fragmented across many small initiatives. Total Angola engaged BCG to assess the company's portfolio to better understand how well the budget aligned with the company's skills, the country's needs, and the government's priorities. Together, Total Angola and BCG developed a new CSR strategy and engagement model that focused on four pillars matching Total Angola's unique strengths and commitments.

GAIN: Evaluating Business Models for Providing Nutritious Food to the Poor.

The Global Alliance for Improved Nutrition (GAIN) pursues its mission to reduce malnutrition through sustainable strategies that are aimed at improving the health and nutrition of populations at risk. To improve the programs targeting maternal, infant, and child nutrition, BCG supported GAIN in developing a framework to evaluate the business models of the different initiatives in its portfolio. Working with the client, the BCG team assessed the effectiveness of the various models; identified key challenges and success factors influencing the impact, scale, and sustainability; and created guidelines for developing future interventions. The results helped GAIN clarify and articulate its insights on the role of the private sector in nutrition and will inform how GAIN shapes and manages its portfolio of interventions designed to advance the organization's goal of increasing access to nutritious food for those in need.

Investing for Impact

To attract donations from individuals, corporations, foundations and governments, nonprofits are increasingly expected to demonstrate the efficiency and effectiveness of their work. Donors demand greater transparency and accountability so they can see the so-called social return on their investments—and ensure that their funds are creating maximum impact. Innovating with different financial approaches, such as social impact bonds, also enables donors to become investors and put more capital to work to create social change. BCG works with organizations in the social sector and with social investors to increase their impact and measure the results they deliver. The following projects are examples of our work in investing for impact.

Big Brothers Big Sisters Canada: Quantifying the Results of a Mentorship Program. Big Brothers Big Sisters of Canada (BBBSC) matches mentor volunteers with young people who are facing life challenges and, in many cases, have limited support from a network of mentors. To understand the value of mentorship and the impact of the BBBSC mentorship program on life outcomes, BCG conducted a statistically significant study of two groups with similar family and economic backgrounds—one group that had been mentored, and one group that had not. The team determined the impact that was attributable to the program, translated it into a dollar value, and calculated the return on the initial investment (program costs). The results showed that those who had been mentored earned on average \$315,000 more in their lifetime and were much more likely to commit money and time to charitable causes than those who hadn't. BCG's analysis showed that each dollar invested in BBBSC's mentorship program delivered an \$18 return—clearly a positive benefit to society. Media coverage of these results has brought the mentoring message to more than 10 million Canadians, inspiring many new volunteers and donors. This greater public awareness will further increase BBBSC's impact on the lives of Canada's children.

Big Society Capital: Projecting the Growth of the Social Investment Market in the UK. Big Society Capital (BSC) was launched in 2012

with £600 million in capital to develop the social investment market in the UK by giving organizations in the social sector greater access to financing. The market and its growth potential were not well understood, however. To provide greater clarity, BCG surveyed philanthropists, nonprofits, and social investors throughout the UK, seeking to better understand the demand for social investment across a wide range of industries. Based on our findings, BCG concluded that the demand for social investment would rise from £165 million in deals in 2011 to as much as £1 billion by 2016. BSC and BCG jointly published a report, *The First Billion: A Forecast of Social Investment Demand*, which summarized the findings and has been widely used in the social investment market.

EkuiNAS: Mentoring Small Businesses to Help Them Reach Their Full Potential. Micro and small enterprises are integral to Malaysia's economy, accounting for about 95 percent of all private businesses and one-third of the country's GDP. But these enterprises have high failure rates, due mainly to a lack of business expertise, training, and support. BCG worked with EkuiNAS, a government-linked private-equity-fund management company, to develop a mentorship program that addresses the key challenges of smaller enterprises, such as obtaining financing, hiring and training staff, marketing, and keeping pace with technology developments. For example, only 28 percent of these businesses use e-commerce and fewer than half have a website. The program matches experienced business professionals with entrepreneurs through a structured environment that helps them flourish. The program starts with a simple yet comprehensive diagnosis ("health check") that identifies the top three challenges of the small business and the root causes of those challenges. Then, after further analysis, a practical action plan is developed to help the business address the challenges. BCG has already piloted the program with five enterprises, and EkuiNAS will roll out the program more broadly in the coming years.

FOR MORE INFORMATION

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