

# GLOBAL HEALTH

## Innovation Insight Series

*Mulago invested in Mobile Medic, and its founder Josh Nesbitt, to support the organization in leveraging mobile technology to make health systems work better*



Photo courtesy of the Mulago Foundation

## MULAGO FOUNDATION II: Building More Than Just a Product or Service

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### THE PROBLEM/SOLUTION SPACE

In 2012, global health financing totaled \$28.1 billion (just shy of the \$28.2 billion peak achieved two years earlier).<sup>1</sup> Governments provide the majority of this funding, but each year private philanthropists play an increasingly prominent role. Private contributions through foundations, nongovernmental organizations (NGOs), and corporate giving accounted for nearly 15 percent of global health funding in 2010.<sup>2</sup> Private sector participants can manage their own global health programs or use their donations to fund other organizations performing work in the sector.<sup>3</sup>

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## ABOUT THE MULAGO FOUNDATION

The Mulago Foundation is a private foundation focused on the prospect of creating a better life for the world's poor. Concentrated in rural settings in developing countries, the Foundation's work is in four areas that contribute to this overarching goal—livelihoods, health, education, and conservation.<sup>4</sup> The Mulago team looks for investment opportunities in promising products and services that address these high-priority problems. When it comes to health, the organization is particularly committed to improvements affecting the lives of mothers and children.

In seeking investments, Mulago looks for the best solutions to the biggest problems in the poorest countries. The team describes itself as “unabashedly obsessed with impact: measuring it, funding it, and scaling it up,” and considers its job “to find those [organizations] most able to create change and get them what they need to do it.”<sup>5</sup>



Photo courtesy of the Mulago Foundation

## THE CHALLENGE: BUILDING MORE THAN JUST A PRODUCT OR SERVICE

The Mulago Foundation explicitly seeks to get involved with early-stage organizations in its target areas. As Laura Hattendorf, Mulago's Portfolio Director, explained, “We want to grow with the organization. The relationship you have with an enterprise is very much determined by when you've engaged with them. So we engage early, foster a collaborative relationship, and support their growth. If you engage with an organization further down the line, this type of collaborative relationship is harder to establish.”

*VisionSpring's commitment to building a world-class management team is one factor Mulago believes will enable the organization to achieve its mission of getting vision-impaired people back to work*

She was quick to point out, however, that Mulago considers an early-stage organization different from a start-up. “We almost never work with someone who has just a business plan and/or a prototype, and that's how I would describe a start-up,” Hattendorf said. “We typically look for people who have spent at least six months in the field, testing an idea and building the organization, before they come to us. There is a huge amount of learning that is accumulated through that process, along with a demonstrated commitment to persevere in very difficult environments.”

Although there are advantages in targeting early-stage organizations for inclusion in its portfolio, the Mulago team also identified challenges. One common issue is that early-stage innovators focus too much on the product and don't think enough about distribution, unit cost, or management capacity. “The physical product, even if it is exceptionally well designed, is five percent of the solution. The other 95 percent is feeding that product into an effective distribution channel and building the organization that can consistently deliver,” Hattendorf stated. “At Mulago we do not invest in a product. If the product fails, then you're nowhere. Of course, everyone starts with a single product, but our approach is to invest in the team and a process that can consistently develop and deliver products over the long term.”

## THE SOLUTION: CREATING AN ORGANIZATION THAT CAN DELIVER

Because of its focus on the potential of the team, when Mulago assesses a prospective investment, the Foundation spends considerable time evaluating the organization's leadership. In particular, Mulago looks at the effectiveness of the leadership team and the pace of progress to date. Key indicators include:<sup>6</sup>

- A credible and ambitious business plan that includes a promising strategy for impact at scale,
- A demonstrable ability to raise or earn money,
- An organizational chart that makes sense, with the right people in key positions, and
- Efficient financial and management systems.

These factors provide evidence that the leaders of the organization are paying systematic attention to what's going on and know when it may be necessary to change course.<sup>7</sup>

Mulago also looks carefully at the experience and caliber of the team that has been assembled. Ideally, the founding team brings cross-disciplinary competencies to the table and a depth of knowledge and experience in a variety of key areas, including operations, finance, manufacturing, sales and marketing, and distribution, not just engineering or product development. If these areas are not adequately represented among the founders, then the Foundation looks at what the organization has done (or is doing) to bring in key hires.

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*In the long run, one of the biggest indicators of success that we've found in our portfolio is how effective people have been in attracting resources to their ideas and enterprises from the earliest stages.*

The Mulago team also evaluates how resourceful teams have been in tapping outside expertise and bringing in financing to date. "Who are they talking to? Who likes what they're doing? Who's joined their advisory board?" Hattendorf prompted. "In the long run, one of the biggest indicators

of success that we've found in our portfolio is how effective people have been in attracting resources to their ideas and enterprises from the earliest stages. You must have a compelling intervention along with this natural instinct for attracting resources and inspiring confidence," she added.

Another consideration for Mulago is whether there is a cultural fit between the leaders of the organization and the Foundation's own values. Teams approaching the Foundation for funding are expected to understand Mulago's philosophy regarding impact and scale, and Mulago looks critically at how well the young organizations' own cultures align with this model. "I can usually figure out within 30 minutes whether a group is going to fit with Mulago from a cultural perspective," said Hattendorf. "We fund people who are naturally curious, who are naturally skeptical, and who haven't 'drunk their own Kool-Aid,' so to speak!"

In the health care space, Hattendorf noted that she is particularly wary of enthusiastic doctors or other health professionals with products or service ideas. "They have the highest likelihood of failure in my experience because they usually don't have the management skill to take something to scale. Funders often think they can take that 'idea

person’ and match them up with a good manager and everything will work out. In the social sector, unfortunately, it usually doesn’t happen that way.”

That said, Hattendorf acknowledged that there are exceptions to this rule. For example, she mentioned Josh Nesbitt, founder of Medic Mobile as a young “idea guy” on his way to becoming a doctor when he had the inspiration for his company. Today, Nesbitt continues to serve as CEO of his growing organization, which works with partner organizations to address communication gaps in the delivery of high-impact health services in challenging settings. “He’s my great exception,” she commented. “I think Josh has managed to grow into his role really well. What sets him apart is his natural intuition for organizations and people, and that’s helping him a lot. If you have these characteristics, there’s a much bigger likelihood you can go the entrepreneur route.”

“The idea that everyone’s an entrepreneur is just not the case,” Hattendorf continued. “Don’t be naïve about what it really takes to be successful in that role,” she cautioned. Even for innovators who are passionate about starting something on their own, Hattendorf recommended working for someone else before embarking on an entrepreneurial journey. “I want students to go out and get some real experience. Work for a while for the best company you can find. Learn from that experience and then launch your own endeavor,” she advised.

Finally, Hattendorf counseled innovators and teams to carefully consider whether starting a new company to take an idea forward is really the best solution. “There are already too many organizations trying to do similar things,

managing to stay alive on limited capital, but never really getting to scale. The vast majority of early-stage teams would be well served if they spent more time thinking about how to integrate—or sell—their intervention into an existing organization that has the resources and networks to scale it.”

While some of this advice may seem discouraging to aspiring innovators and entrepreneurs, Hattendorf wants to get them thinking about important issues and obstacles. In order to convince funders, partners, and other stakeholders to support a new intervention, innovators have to be prepared to address these risks and demonstrate sound mitigation strategies around the product or service they have devised, as well as the team and organization that will deliver it. ♦



Photo courtesy of the Mulago Foundation

*Village Reach, which creates high-performance logistical systems to make sure that vaccines, drugs, and supplies reach remote clinics, is led by a seasoned executive with experience in international expansion*



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## NOTES

- 1 “Financing Global Health 2012: The End of the Golden Age?” Institute for Health Metrics and Evaluation, 2012, <http://www.healthmetricsandevaluation.org/publications/policy-report/financing-global-health-2012-end-golden-age> (May 21, 2012).
- 2 Ibid.
- 3 David McCoy, Sundeep Chand, and Devi Sridhar, “Global Health Funding: How Much, Where It Comes From, and Where It Goes,” *Health Policy and Planning*, April 20, 2009, <http://heapol.oxfordjournals.org/content/24/6/407.full> (May 21, 2013).
- 4 “Scalable Solutions Portfolio,” The Mulago Foundation, <http://www.mulagofoundation.org/who-we-fund> (May 21, 2013).
- 5 Home page, The Mulago Foundation, <http://www.mulagofoundation.org/> (May 21, 2013).
- 6 How We Fund,” The Mulago Foundation, <http://www.mulagofoundation.org/?q=how-we-fund> (May 21, 2013).
- 7 Ibid.