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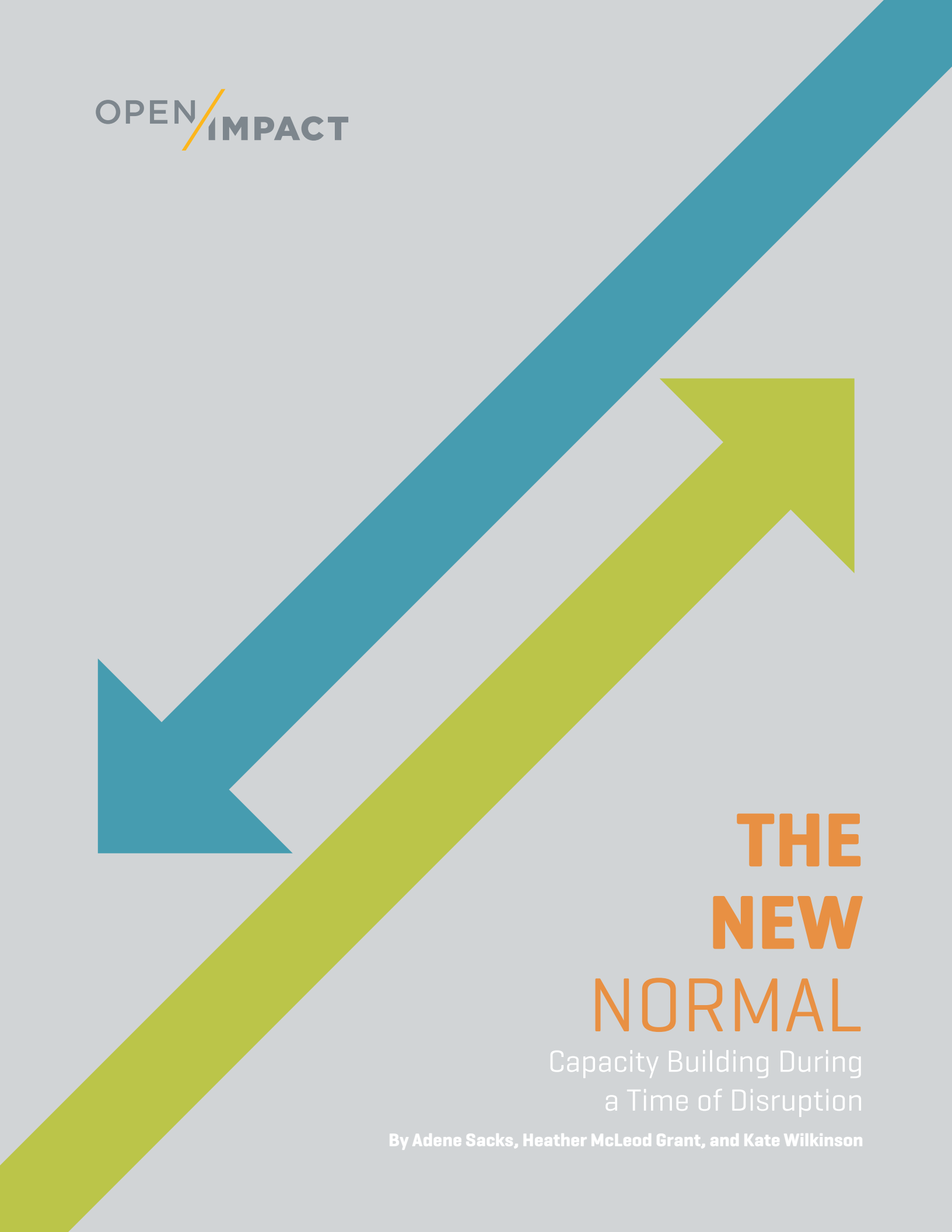

THE NEW NORMAL

Capacity Building During a Time of Disruption

By Adene Sacks, Heather McLeod Grant, and Kate Wilkinson

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RESEARCH

We set out in late fall of 2017 to understand how capacity building needs in the social sector are changing in the current political and economic environment, and how funders are responding to these changing needs. While the social sector has a long history of disruption, we believe that the U.S. election of 2016 and its aftermath have introduced a different set of challenges to the sector, with important implications for how we think about building social-change capacity. Our research was funded by the David and Lucile Packard Foundation, both to inform its organizational effectiveness grantmaking strategy and to share the findings with the larger field. Here, we provide a brief summary of our methods. A longer methodology, key definitions, and lists of interviewees, advisors, and additional sources can be found in the Appendices.

We set out in the fall of 2017 to understand how capacity building needs in the social sector are changing in the current political and economic environment, and how funders are responding to these changing needs.

We hope that this paper will spark an important conversation in the field and spur additional, more comprehensive research on capacity building needs during a time of disruption.

We began our research by conducting a high-level scan of the capacity building and organizational-effectiveness literature, and current media articles about how nonprofits and philanthropy are being impacted by the political environment. Next, we identified and interviewed a diverse cross section of 21 leaders of nonprofit organizations, networks, intermediaries, and foundations about current capacity building needs. We recognize that this is a small sample spanning diverse entities, but we made the choice to go broad and surface important themes holistically. In addition, we had a bias towards interviewing leaders of advocacy organizations whose missions are currently facing challenges (climate change, immigrant and LGBTQ rights, etc.). We also drew upon our own decades of experience building nonprofit and philanthropic capacity—and convened a small group of social-sector leaders as advisors—to help us frame our findings. While the scope of this research was time-limited and our interview sample small, we hope that this paper will spark an important conversation in the field and spur additional, more comprehensive research on capacity building needs during a time of disruption.

CONTEXT

Even before the U.S. election of 2016, forces inside and outside the sector have shaped and disrupted the work of social change.

Even before the U.S. election of 2016, forces inside and outside the sector have shaped and disrupted the work of social change. For one thing, the social sector has grown dramatically in the past few decades, both in the U.S. and abroad. Following the social movements of the 1960s–'70s, the sector shifted to creating organizations and institutions that would be "built to last." The rise of social entrepreneurship in the '90s borrowed approaches from business, applying management concepts—instead of political or sociological frames—to the work of social change. In the 1990s–2000s, the rise of capacity building, organizational effectiveness, and strategic philanthropy turned attention to the importance of investing in the many supports that nonprofit organizations need to do their work (fundraising, management, strategy, governance, evaluation, etc.). For several decades, the focus was mainly on building effective *organizations* to lead the work of social change.[1]

More recently, the sector has again recognized that large scale, systemic social change must encompass a broad range of strategies, tools, and tactics: not just building effective organizations but also developing leaders, creating networks and coalitions, catalyzing social movements that mobilize others, and changing larger systems through advocacy or other interventions. With the rise of Occupy, Black Lives Matter, the Women's March, #MeToo, #NeverAgain, and the increasing importance of social media to organizing, the sector has had to reconcile these false dichotomies (organizations vs. networks), recognizing that both are needed to create lasting change at scale.[2]

Nonprofits and philanthropy continue to work at the intersection of these larger sectors, being influenced by and influencing both.

Yet even as the sector has gone through shifts between the language and frames of civil society (government) and markets (business), the boundaries between sectors have continued to blur. Politically, the left and right have been engaged in an ideological tug-of-war over the role of government and market forces in solving social problems. The right has been advocating for smaller government, leaving more to the private sector and the invisible hand of markets. At the same time, increasing consumer awareness has meant businesses are being pressured to become more socially responsible and embrace values once ceded to government. And, in global financial markets, demand for socially responsible stocks and impact investing (or blended-value approaches) only continues to grow. Nonprofits and philanthropy continue to work at the intersection of these larger sectors, being influenced by and influencing both.

[1] These assertions are based on our analysis of trends in the sector, drawing upon our decades of experience in nonprofits and philanthropy, including previously published works (e.g. *Forces for Good: The Six Practices of High-Impact Nonprofits*).
[2] There are a number of books, articles, and reports written about catalyzing networks for social change, movement building, grassroots organizing, and leadership development, including some of our own publications. See Appendix 3 for a brief list.

Simultaneously, technology continues to disrupt ALL of our current institutions—whether government, business, or nonprofit—upending entire industries in the process (media, entertainment, health care, education, transportation, etc.). The past decade has seen a rapid increase in technology and social-media adoption worldwide, which has offered greater opportunities for online organizing, for collecting and analyzing "big data," for engaging donors and beneficiaries, and for evaluating programs—among many other uses. These technological advances have also opened the door to new players, often allowing people interested in social change to self-organize and raising important questions about the impact of digital technologies on democracy and citizenship. Additionally, technology has introduced to nonprofits the same cybersecurity and privacy challenges found in other sectors.

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Finally, in the U.S.—as globalization shifts more jobs abroad, income inequality continues to rise, and government cuts back—more people are accessing services from nonprofit organizations. Unfortunately, we're seeing parallel inequities play out in our sector: nonprofits serving the wealthy continue to amass resources, while those serving communities in need are barely getting by.[3] Today, many social-sector organizations that have traditionally bridged the gap between the market and government are struggling to survive—a topic we explore further in the pages that follow.[4]

The Political Climate

Clearly the social sector was already navigating a changing environment before the 2016 U.S. election. However, the pace accelerated when the new administration began undermining decades of philanthropic work on issues like immigration, women's rights, minority rights, the environment, media, and the social contract with government. While congressional efforts to repeal the Affordable Care Act weren't initially successful, the budget proposed in 2017 cut spending for social services and education.[5] Additionally, the tax bill passed in late 2017 threatens to reduce donations to philanthropy by raising the itemized-deductions limit and decreasing incentives for giving.[6] It is too early to tell what the long-term impact of the budget and tax bills will be on the social sector, but without a doubt, change is the new constant.

Governments are curtailing democracy, undermining human rights, and clamping down on NGOs and civil society around the globe.

It's worth noting that this level of disruption is not confined to the United States, though that is the primary focus of our research. Governments are curtailing democracy, undermining human rights, and clamping down on NGOs and civil society around the globe. In response to the forces of globalization and technological disruption, we've witnessed retrenchment into populist nationalism in the U.S. and abroad. Take, for example, Brexit in the U.K., and the rise of nationalist leaders and governments in Asia, Eastern Europe, and Africa. As the U.S. retreats from its international commitments and reaffirms policies such as the Global Gag Rule, a.k.a. the Mexico City Policy,

[3] https://www.philanthropy.com/article/Charities-Suffer-From-a-Wealth/157283
[4] http://www.alliance1.org/web/resources/pubs/national-imperative-joining-forces-strengthen-human-services-america.aspx
[5] https://www.nytimes.com/2017/05/22/us/politics/trump-budget-cuts.html
[6] https://www.washingtonpost.com/business/economy/charities-fear-tax-bill-could-turn-philanthropy-into-a-pursuit-only-for-the-rich/2017/12/23/38b65eb6-e69a-11e7-9ec2-518810e7d44d_story.html?utm_term=.3abe0bf4f1ce

which restricts funding for reproductive rights, there are fewer financial supports for international nonprofits championing democracy and human rights.

The social sector and civil society are facing a disruption of yet unknown proportions. The old social-change models and assumptions of the past 50 years are breaking down, while the new models haven't yet been fully formed.

In this context, the social sector and civil society are facing a disruption of yet unknown proportions. The old social-change models and assumptions of the past 50 years are breaking down, while the new models haven't yet been fully formed. This is true in politics, in economic markets, and in the nonprofit and philanthropic sector as well. If this moment of disruption has a silver lining, it's that we've effectively broken the old social-change model and now have an opportunity to invent a new one. But to do that, we need to pay attention to what is happening on the frontlines of social change, listen and understand the real needs of today's leaders, and act our way collectively into a new future.

As one of our interviewees put it so well, "The scale of the problems and the pace at which they are evolving is bigger than our work as a set of actors. We have to think collectively about how to get better." This leader went on to say that the 2016 U.S. election exposed shifts already underway. "There was a masking effect of supportive federal policy [under the previous administration], which diminished the need to have conversations about supporting leaders in the field and the connections between them. This new context has provided an opening for conversations that might not have happened if Clinton had been elected."

"The scale of the problems and the pace at which they are evolving is bigger than our work as a set of actors. We have to think collectively about how to get better."

FINDINGS

Clearly, managing in this volatile, uncertain, complex, and ambiguous (VUCA) context, and continuing to have impact on critical issues, has become more complicated for the social sector. Here we share the most important themes we heard in our interviews and research, and then explore the implications for capacity building and philanthropy in this new environment.

1. Safety and Security

Given the issues many of our interviewees address (immigration, civil rights, environment, etc.), these nonprofits are increasingly—and sometimes literally—under attack. In our interviews, we heard stories of physical attacks on clinics, on individuals being served, and on staff. Nonprofit employees—as women, immigrants, minorities, or members of the LGBTQ community—are themselves targets of new government policies, leading to greater stress. As one interviewee said, "Staff is doing work to address the attacks, AND they are targets of the attacks. Our need to support the wellness of staff has increased drastically in this time." Another shared, "People are spiritually broken right now. The issues have not changed—racism existed before Trump—but there has been an existential shift. We are dealing with both ancestral and current trauma all at once. These change agents need to be supported as full human beings who have emotional and spiritual needs."

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As a result, social-sector organizations are suddenly facing a need to keep their staff and communities safe, which increases cost, complexity, and anxiety. One foundation we talked to has become a lockdown facility; other funders have increased their security measures. A movement-building organization shared how they were limited in their ability to meet a community crisis because of their own organizational security needs: "We, and a lot of other organizations, need to invest in security but can't. That includes office security as well as safety planning for our staff as they do their work: traveling in pairs, sharing information ahead of time, and providing contact information to partners on the ground."

Issues of safety also complicate service provision, especially in immigrant communities. According to a recent survey by CalNonprofits, "Nearly two-thirds of respondents reported increased levels of staff anxiety since the election: concern about the impact on immigrants served was voiced with particular urgency."[7] The report went on to detail numerous examples of immigrants in California using services less frequently for fear of being identified, attacked, bullied, or deported. Similar

[7] http://www.calnonprofits.org/publications/article-archive/529-nonprofits-rethinking-their-future-under-trump-administration-new-survey-reports

> The real difference is for our grassroots partners at the community level. They are under siege. For example, in immigrant communities, people were afraid to seek shelter during the fires [in Sonoma]. People on the ground serving these communities were dealing with fire AND the persecution of that marginalized community.

themes echoed in our interviews with national nonprofits. As one nonprofit leader we interviewed said, "The real difference is for our grassroots partners at the community level. They are under siege. For example, in immigrant communities, people were afraid to seek shelter during the fires [in Sonoma]. People on the ground serving these communities were dealing with fire AND the persecution of that marginalized community."

Threats around cybersecurity have also increased, as opponents leverage hacking and social media to harass, terrorize, and even shut down social-sector actors. Email hacking during the 2016 election has recently come to light in mainstream reporting, along with the role of cyberespionage in planting stories in social media and influencing the election results.[8] Nonprofits sometimes get caught up in similar campaigns. As one intermediary told us,"Cyberattacks have happened to our members, and the tendency is for these attacks to be a form of no-holds-barred violence. One of our member organizations was cyberhacked last year and sent gruesome and violent pictures as a way to harass them. Given that many of our member organizations are led by women, that increases the level of violence directed at them."

Internationally, the trend around safety and security is similar. As another interviewee shared, "Political changes have shrunk the civic space by putting legislation in place that makes it difficult for organizations to operate or get funding. More repressive governments [abroad] are making it difficult for organizations to operate, and they continue to intensify their efforts in that realm." One foundation we spoke with reported having international grantee staff members killed. Another global funder has had an international board member placed under house arrest. In some cases, local branches of global NGOs are simply being shut down because they cannot guarantee the safety and security of their staff. As one interviewee said, "Our staff don't feel as safe in the countries where they are working anymore. In countries like Nepal, international NGOs are being kicked out. A lot of that has to do with the local government not wanting to be undermined. And Americans are viewed with suspicion, given this administration's stance."

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Security planning—for physical, psychological, and cyber safety—costs money that many nonprofit organizations don't have. This has important implications for capacity building and for funders who are eager to be responsive. It's no longer sufficient to fund programs or capacity building basics,

[8] https://www.cnn.com/2016/12/26/us/2016-presidential-campaign-hacking-fast-facts/index.html, https://www.cnet.com/news/facebook-cambridge-analytica-data-mining-and-trump-what-you-need-to-know/

such as strategic planning or board development. As one funder shared, "We are doing much more funding of security-capacity development: physical, digital, and integrated security for human-rights defenders. They become worn out and don't pay attention to their own security. Because we fund organizations to implement these projects, as foundations, we are responsible for providing security to them."

2. Impending Budget Cuts

In addition to being physically and psychologically attacked, many of these nonprofits are being targeted for significant government-funding cuts. While it is too soon to tell exactly how federal budget cuts will play out at the state and local level, it is likely that many nonprofits, especially those providing social and safety-net services, will soon have to contend with smaller budgets. The Center on Budget and Policy Priorities estimated that by 2026, the administration's initial proposed budget cuts would reach $453 billion or approximately 37% of state budgets.[9] This has provoked significant uncertainty around future revenue streams, particularly for those nonprofits that depend heavily on government support. A 2017 survey by CalNonprofits found that "nearly two-thirds of respondents (65%) who receive government funding say they anticipate less funding in the next 12 months."[10]

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Additionally, because of the new tax bill, there is speculation that individual philanthropy may decrease, if donors are no longer able to itemize deductions and thus reduce their overall giving. This potential drop would likely hit smaller social-service and safety-net nonprofits harder than larger endowed institutions, which have a financial cushion and access to donors. According to one report, the donors who will still itemize (in the top 5% of income) "tend to focus their giving on large institutions like universities and hospitals"[11]—a point well supported by our research and data in *The Giving Code: Silicon Valley Nonprofits and Philanthropy.*[12]

"Our impression is that middle-class families who have been the historic bedrock of our giving are struggling. We've seen a diminution of their giving."

In fact, local organizations, which depend more on middle-class donors, are anticipating continued reductions in both government and private donations at a time when their services are in greater demand. The result is widening inequality in our sector, mirroring that in the larger society—a trend we analyzed in more detail in *The Giving Code*. Kathy Jackson, head of the Second Harvest Food Bank of Santa Clara and San Mateo Counties, noted to a local newspaper, "Our impression is that middle-class families who have been the historic bedrock of our giving are struggling. We've seen a diminution of their giving."[13] And she says that demand for the Food Bank's services is greater now than during the Great Recession, as families have to choose between paying rent or putting food on the table. "We got to 253,000 (people) in one month during the worst of the Great Recession. We've never seen a jump like this," she said, saying they'd received 300,000 monthly visitors in 2016.[14]

[9] https://www.cbpp.org/research/state-budget-and-tax/the-trump-budgets-massive-cuts-to-state-and-local-services-and
[10] http://www.calnonprofits.org/publications/article-archive/529-nonprofits-rethinking-their-future-under-trump-administration-new-survey-reports
[11] https://www.denverpost.com/2018/03/11/financial-risk-nonprofits-study/
[12] https://www.openimpact.io/giving-code/
[13] https://www.philanthropy.com/article/Share-of-Americans-Who-Give-to/241345
[14] https://www.mv-voice.com/news/2016/12/28/food-bank-faces-deep-drop-in-donations

Internationally, the U.S. is not alone in rolling back aid, but it is certainly the biggest global funder, and its cuts are being felt. In particular, organizations serving women and children are suffering, as the Global Gag Rule to cut funding for reproductive rights was reinstated this past year. While this policy was meant to target abortion providers, it has also resulted in reduced funding for health clinics, maternal and child health programs, and malaria and HIV/AIDS services for some of the most vulnerable populations. In our interviews, international respondents affirmed the challenge facing them as they serve the poor abroad. Said one interviewee, "In 2012 we realized we were too dependent on US-AID funding and started to diversify our revenue; but even so, this cut was devastating, and in some places, we need to find huge amounts of funding. We are not going to grow as much in 2018."

Unfortunately, many of the organizations impacted by government cuts and reduction in philanthropy—particularly grassroots, social-justice, and community-based organizations—lack the capacity to proactively manage the volatile economic environment. As one interviewee put it, "Social-justice organizations have a really good critique of capitalism but don't know how to read the tea leaves of the economy. They didn't know that philanthropists were going to cut their investing [in 2008], and they should have anticipated that turbulence. Movements don't actually have foresight around the ebbs and flows of the economy that impact their work; they don't have a financial plan around diversifying revenue."

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3. Surge in Donations

If there's a silver lining, it is that some nonprofits have seen a surge in individual donations and volunteers. An article in the *New York Times* a few weeks after the U.S. election reported that "at least a dozen nonprofits that oppose Mr. Trump's policies or actions have reported similar, in some cases, explosive, surges in support since Nov. 8."[15] Indeed, there has been a flurry of grassroots organizing and mobilizing over the past year in response to the current administration's policies. New nonprofit groups are cropping up locally and nationally—and more established nonprofits are benefiting from renewed interest in and funding for their causes.[16]

Some of the organizations we spoke with—particularly large, advocacy organizations with well-known and trusted brands—are growing rapidly as a result of this surge. The Jewish advocacy group, Bend the Arc, added 45,000 members last year, while the Sierra Club grew from 635,000 to 830,000 members. And increasing donations to the ACLU, Planned Parenthood, and other national advocacy groups are well documented in mainstream media.[17] One interviewee affirmed, "We saw new discriminatory policies being enacted, and those galvanized more resources for our movement. Much of the momentum for our movement is driven by that 'moment.' We're using this opportunity to raise the profile of our organization and increase resources going to the issue."

[15] https://www.nytimes.com/2016/11/18/us/politics/nonprofit-donations-trump.html
[16] http://blog.organizer.com/19-resistance-organizations-on-the-forefront-of-the-anti-trump-movement
[17] https://www.nytimes.com/2016/11/18/us/politics/nonprofit-donations-trump.html

Many of these larger nonprofits are grappling with how to absorb this influx of funding and talent—a positive paradox of growth. While they are grateful for the interest, they don't necessarily have in place the capabilities or infrastructure needed to convert newly activated citizens into long-term supporters. As one nonprofit leader shared, "The capacity challenge for us is how do we retain these new donors and keep them on for our organization and the broader movement?" In fact, rapid growth requires strengthened capabilities in technology for online mobilizing, better offline engagement programs, and enhanced communications capacity. It also requires more effective fundraising tools and skills to convert these new donors into sustained supporters, which raises the question of whether these capacities should be built to last or are merely a temporary response. As one intermediary shared with us, "It's important for groups that are succeeding, that they have the technology in place to mobilize constituents around opportunities and threats. It's not just a need for right now—it will be an ongoing need for the future."

"The capacity challenge for us is how do we retain these new donors and keep them on for our organization and the broader movement?"

"We have a huge opportunity to use this moment to grow and deepen the skill set of our staff and volunteers. We are prioritizing capacity building inside the organization even above the program work because there is a lot to be done and we need to be stronger at the end of this administration."

The organizations that have benefited most from the surge now face a dilemma around how much they can scale and questions of how long this "crisis capital" will last. Most of the organizations we talked with struggle to reconcile funding capacity for the long term, versus more intense short-term program needs. As another leader said, "We saw a surge in membership and in overall engagement both on and offline. We have a huge opportunity to use this moment to grow and deepen the skill set of our staff and volunteers. We are prioritizing capacity building inside the organization even above the program work because there is a lot to be done and we need to be stronger at the end of this administration." For some, this raises the concern that investing in long-term capacity may not be what new donors intended when they gave.

It also raises questions about how these resources get shared more broadly. Large advocacy organizations depend on grassroots groups to organize local communities around issues—they are often hubs in larger ecosystems. At the same time, funders are increasingly asking these larger nonprofits to provide funding and technical assistance to networks of smaller groups. In other words, they are asking larger nonprofits to step into an intermediary role—even though these nonprofits don't always have the capacity to do this. As one leader said, "It's critical for us to have more intentional partnerships with community-led organizations. Our staff try to raise awareness of community groups, but our role has not included regranting to them. As our capacity increasingly sits at the intersection of our partners' capacity, we have to rethink how we approach these partnerships." Another leader shared, "I want to see more investment in the 'how' of social change, rather than the issues. Our goal is to invest more into solutions-oriented work, in order to turn this moment into a longstanding boost to the movement so that it emerges stronger."

4. Increasing Inequity

If there's a downside to the surge, it's that these new resources may be unequally distributed. Ironically, despite a renewed focus on issues of power, equity, and race in the social sector, these issues are playing out among nonprofits and reflected in which ones are capturing new funding. It's not surprising, but in our interviews, large, well-branded organizations are more likely to be experiencing the surge in donations, while smaller, grassroots organizations on the frontlines of serving marginalized communities are having to address additional challenges under greater pressure with fewer resources.

> When movements are led by women of color, they are largely ignored both for funding and for leadership development.

Additionally, as attention shifts away from the federal government to state and local organizing, much of the organizing that needs to be done is dependent on local leaders. Community-based groups are being asked to show up, mobilize their base, and act as conduits for both service delivery and policy advocacy. But just when these grassroots groups are needed most, they sometimes struggle to deliver—in part because they are not sufficiently resourced. Historically, many social-justice nonprofits have been ignored, their leaders overlooked, and their programs deemed too "niche" for large funders. Organizations led by marginalized communities (people of color, women, LGBTQ, etc.) tend to be smaller, younger, and have less history of philanthropic investment. As one social-justice leader shared with us, "When movements are led by women of color, they are largely ignored both for funding and for leadership development."

Relatedly, as wealth becomes more concentrated, new philanthropic resources aren't making their way to the communities most in need. Rather, the funding is going to more established institutions and larger nonprofits at scale—resulting in a strong "grass-tops" but an anemic "grassroots" base. As another interviewee said, "The bias towards larger organizations—that, in theory, should trickle down resources to smaller organizations—isn't working. The communities most affected by new policies need the most resources. It should not be about who has the best relationship or writes the best proposal. It has to be about who has the most needs and who is on the ground with the community."

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When institutional funders do grant to community-based organizations, they often provide smaller, restricted grants, giving these nonprofits less flexibility to respond to a changing political environment. One funder of grassroots organizations said, "Grantees are telling us they don't have the capacity to take advantage of all the opportunities they are seeing right now." Another funder talked about the resulting mindset that prevents grassroots leaders from making bigger asks. "Social-justice organizations are used to working from a place of scarcity. As a result, they are not asking for a big enough piece of the pie."

> The reality is that our organizational capacity needs are huge. Historic under-resourcing means that everything under the sun is needed: access to funding, training on fundraising, training on board and organizational development.

On the flip side, a handful of these grassroots groups are actually experiencing their own version of the surge and are grappling with how to play bigger. Take for example, the trans-organizing field, which has been thrust into the spotlight with recent attacks on transgender people and rights. As one interviewee shared, "The field of institutional trans organizations is very young. Groups may have existed for years but operating entirely on volunteers and out of someone's home. They are in a maturity moment and emerging as institutional entities." This leader went on to say, "The reality is that our organizational capacity needs are huge. Historic under-resourcing means that everything under the sun is needed: access to funding, training on fundraising, training on board and organizational development."

5. Leadership Gap

> Since the election, people need to work harder and more efficiently. There's no more ebb and flow in the work—it's a constant flow. It's taking a toll on people, and some may not be able to keep up with the pace.

Another major theme recurring in many of our interviews was that of talent development and the ongoing lack of investment in leadership. Leadership recruitment, retention, and succession—while always an issue—is being heightened by the current political environment. The sector is potentially facing the simultaneous burnout of younger leaders and the retirement of Baby Boomers. As a result, social-change leaders struggle to upgrade their skills and maintain momentum under the relentless pace, personal attacks, and shifting context. Many leaders we spoke with voiced uncertainty about how to best retain and support staff in this environment; they talked about "wellness" as a new organizational capacity. As one leader shared, "Since the election, people need to work harder and more efficiently. There's no more ebb and flow in the work—it's a constant flow. It's taking a toll on people, and some may not be able to keep up with the pace. At the same time, our board wants us to scale fast and hire now, but being thoughtful about who we bring on means each hire takes months."

The intergenerational leadership transfer in the social sector has been well-documented elsewhere.[18] As Baby Boomers retire, and Millennials and Gen Z enter the workforce, these nonprofits—increasingly led by Gen Xers—are dealing with the complexity of intergenerational dynamics on boards and among staff.[19] To complicate factors, a number of senior leaders postponed their retirement after the 2008 economic crisis and are working with a shallow bench of successors. We heard a lot about the leadership gap in the sector and the need to invest in developing talent at all levels. As one intermediary shared, "Most public-interest organizations were established in the 1960s, and the lawyers who took over in the 1990s were taught by the founding generation. They thought they would be able to declare victory over poverty, and therefore didn't invest in organizational sustainability or succession planning. Many organizations are still led by people from those generations, at the executive level and board level. We see a need for training and leadership development for the people now stepping into executive roles."

[18] https://ssir.org/articles/entry/the_nonprofit_leadership_development_deficit
[19] See also: http://levistrauss.com/pioneers-in-justice-building-networks-and-movements-for-social-change/

Some of these groups—especially those benefitting from the surge—are dealing with the talent challenges of growth. As organizations scale, the caliber of their leaders needs to shift as well. As the director of a large global nonprofit shared, "Building a team at a $100M company is not the same as at a $50M company. We need to attract a higher caliber executive team to support our expansion." Another large advocacy organization leader told us, "We knew that the future success of our organization was predicated on our people and culture. We had to do a better job of emphasizing performance, with a focus on metrics, partnerships, and innovation. This meant finding and hiring good people and giving them room to run." These challenges are not confined to large organizations. A grassroots nonprofit echoed similar themes, "Our nonprofit hasn't pivoted; we are just scaling and setting ourselves up to eventually make progress. We must begin to sow the seeds so that there will be an end to this. We have to build the progressive infrastructure for the future."

Additionally, our interviewees talked about the lack of leaders who have the right skills for systems-level change. It's no longer sufficient to just hire subject-matter experts or technical specialists to manage programs. Rather, many of these nonprofits are recognizing that they need leaders with a broader social-change toolkit to do the work being required of them now. As one interviewee explained, "NGOs typically hire great program managers who hit their targets and then move on. But we are dealing with systems problems that will never go away; it is therefore more important to have leaders who can integrate a systems-level view and look for the partnerships, connections, and opportunities to have deeper impact."

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6. Philanthropy's Response

As if these challenges weren't enough, many of the nonprofits we interviewed shared confidentially that they don't feel well supported by their funders. To them, institutional philanthropy seems calibrated for an era that no longer exists, and foundations seem largely insulated from the disruption facing the sector. Newer donors have enthusiasm but often lack experience and endurance. Traditional funders continue to require the same level of reporting and measurement, even in the face of growing uncertainty around what is needed. Universally, we heard social-change leaders wanting funders to deeply understand their realities, struggle alongside them to find a way forward, and trust them enough to make multiyear, unrestricted operating grants. As one leader said bluntly, "The foundation world is out of touch and too slow. Their ways of doing business and the ways that organizations are supported by foundations are archaic. Funders need to listen and follow social-justice groups to understand what the community needs."

From the handful of funders we did interview, we heard that there is a growing consensus around the changing reality, but variability in philanthropy's response. Some funders have moved into an emergency mode of grantmaking, establishing rapid-response funds and dipping into their assets to move more money to immediate needs, more quickly. As one funder told us, "You have to understand that this is an unprecedented attack on civil society, and if you don't do something, shame on you. No more panels on philanthropy in tumultuous times—just do something based on real needs and in real partnership."

Other foundations are stepping up and finding new ways to support underfunded communities and issues under attack—a theme we explore further in our recommendations. As one intermediary shared with us, "Emergency funds are great, but I am excited by how some funders have expanded the sense of their own mission in this moment." This leader singled out the Barr Foundation as exemplary: "As a place-based funder, they recognized the importance of shoring up nonprofits that protect vulnerable populations. They went beyond issue silos and give 36 months of grants to groups that protect vulnerable communities."

> "You have to understand that this is an unprecedented attack on civil society, and if you don't do something, shame on you. No more panels on philanthropy in tumultuous times—just do something based on real needs and in real partnership."

But we also heard that many foundations continue to "wait and see," study possible courses of action, and aspire to be responsive without changing their behaviors. Many are aggregating learning and data to inform their strategies in the long run but opting to stay the course in the short run. And there are those in between: funders looking to pivot but still applying a traditional funding approach to a system in flux. As one capacity builder shared, "So many funders are seeing increased need but are spending their time on things that are wasteful. Funders need to stop doing the same old thing: convening people, writing papers, doing research. Stop and rethink the model. Just give nonprofits the funding they need to do their work, and stop asking them to jump through hoops. One funder we know created a rapid-response fund and then asked nonprofits to prove their impact, using the same methods as their traditional grantmaking."

RECOMMENDATIONS

Based on everything we learned in our brief, and admittedly broad, research, it appears that this crisis may not be just a moment in time but a prolonged restructuring of the social sector in response to other economic and political disruptions.

Based on everything we learned in our brief, and admittedly broad, research, it appears that this crisis may not be just a moment in time but a prolonged restructuring of the social sector in response to other economic and political disruptions. As a result, we must contend with the "new normal" of building capacity for social change. We would argue that this new normal requires social-change actors—leaders and funders—to embrace a "both/and" mindset. They must simultaneously juggle building internal organizational and external system capacities; being responsive and strategic; planning for the short term and the long term; and thinking systemically while being proximate to their constituents. These leaders must play a version of 3-D chess, navigating a series of tensions around time, place, altitude, and scale. While this might sound daunting, it's far more difficult for nonprofit actors to navigate these complexities than it is for funders, who at least have adequate resources for their work.

For Social-Change Leaders:

As illustrated by our research, many social-change leaders on the frontlines are already building capacity for social change by embracing this "both/and" mindset and juggling these complexities—though many are also exhausted by all that is being demanded of them right now. For some of these leaders, the new normal is requiring that they slow down, be more intentional about their work, and prioritize their goals, even as the world around them is morphing and accelerating. Their deepest hope is that their funders will understand these challenges and will support them more fully. Today's leaders are having to navigate all of these dimensions, which often requires making complicated tradeoffs:

- **Be responsive *and* strategic.** No longer is there time to project forward three years and formulate a fixed strategic plan—the world is not that static. Rather, the lines between "strategy" and "capacity building" are blurring, if not outright disintegrating. We heard from social-change leaders that they need more flexible strategies, adaptive leadership, unrestricted funding, and short-term feedback loops that enable them to assess whether they are gaining traction against their goals. These nonprofits are also struggling with responding to immediate constituent needs, while continuing to invest in the long-term infrastructure necessary for future work—and are having to make hard choices about what to prioritize. This tension is true for large organizations benefiting from a surge of donor interest and for small grassroots groups being asked to step up in new ways.

The lines between "strategy" and "capacity building" are blurring, if not outright disintegrating.

- **Build internal *and* external capacity.** Traditionally, organizational leaders were told to put on their oxygen masks first before helping others—i.e., build a strong organization, then worry about external mobilization or "systems change." The notion of capacity building was both static and linear: strengthen organizations, then networks and movements. But in a moment when organization building often *follows* collective action (#metoo, Black Lives Matter, #NeverAgain, etc.), social-change leaders—and funders—no longer have the luxury of thinking of capacity building in a sequential fashion. We recognize that this is asking the impossible of nonprofit leaders—all the more reason that they need funders to support capacity building at many different levels simultaneously.

In a moment when organization building often follows collective action (#metoo, Black Lives Matter, #NeverAgain etc.), social-change leaders—and funders—no longer have the luxury of thinking of capacity building in a sequential fashion.

- **Think systemically *and* act proximately.** Social-change leaders need to continue to think and act at different altitudes: they must see the system of which they are a part and understand their role, while simultaneously staying proximate to real needs on the ground. The best nonprofit leaders have long known how to navigate these elevation changes—being on the dance floor and on the balcony. But the sector also needs to understand the importance of identifying systems-level issues, make visible the dynamics impacting those issues, and experiment with cross-issue and cross-sector partnerships. As one interviewee said, "At every level of our systems, intermediaries, nonprofits, networks, and funders are being called to work differently—in collaboration with each other and thinking in terms of systems."

- **Follow the leaders.** Luckily there are a handful of nonprofits on the leading edge of balancing these tensions, and they can point the way forward for others to follow. These examples are not comprehensive—we didn't intentionally scan for best practices—but they do represent some of the emerging leaders at the local, national, and global level singled out in our interviews:

  - The Seattle-based **Rainier Valley Corps** (RVC) invests in leaders of color to work for two years in local grassroots organizations. This goes beyond building the individual capacity of the leaders; it also builds the capacity of placement organizations, and addresses issues of equity by making sure that those most impacted by racism are leading efforts to address it. Last year, RVC started a collective platform to streamline back-office functions (such as accounting, HR, and legal services) for small nonprofits, so that grassroots leaders can spend more time on programmatic work, and less on administration and management.

  - The **Sierra Club** is using this moment to prioritize its own internal work around diversity, equity, and inclusion, as it relates to the environmental movement. As executive director Michael Brune shared, "We are prioritizing internal work as much as our program work. We need to be stronger at the end of this administration." Additionally, the Sierra Club has become a champion for equity issues externally, providing statements of support to Black Lives Matter and Planned Parenthood among others. In doing so, Brune has

embraced the connection of environmental issues with other social issues and challenges. "I'm proud of how the Sierra Club has begun to address the intersection of climate with inequality, race, class, and gender, and I guarantee that we'll go even deeper."

- **Marie Stopes International** has always been successful at implementing global programs. But their leaders have realized that to achieve greater impact, the organization has to shift from being a service provider to a systems player. This requires a different set of capabilities for the staff at the country level and at the organization as a whole. As a result, they have transitioned their field staff from project managers to systems leaders, incorporating partnerships as part of their job descriptions and changing the way they hire. Senior management teams now need new mindsets and tools to identify ways to expand partnerships and seek out opportunities to collaborate across sectors.

For Funders:

If those are the realities and implications for leaders on the frontlines of social change, then the same thing can be said for funders supporting the work. Funders should embrace all of the "both/and" tenets above, AND they need to think about how they are making a commensurate shift in their own work to better support leaders driving social change. We're seeing an emergence of what we call "systems philanthropy"—a funding mindset that aligns with the complex and multi-dimensional realities of how social change is happening in this current climate. This goes beyond leveraging financial assets on behalf of grantees and embraces the following principles:

- **Walk the talk.** Clearly, if the sector as a whole is shifting to accommodate the new normal, philanthropy must also shift. Funders should be as nimble and adaptive as they are asking their grantees to be. They must also see themselves IN the system, not apart, as capital sitting on the sidelines. And most importantly, they need to walk their own talk. As one grantee said, "Foundations need to do the inner work that will bring them in alignment with their values and missions. If they are invested in fossil fuels, they cannot change the conversation on climate. Authenticity is the new currency."

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- **Give nonprofits what they need.** It's not a new idea, but we heard repeatedly a plea from social-change leaders to have more flexible funding and more investment in the infrastructure needed to do their work. As a sector, we need to get beyond the "overhead myth" once and for all and fund the full cost of social change—the same way we fund the full cost of doing business in the private sector. As one intermediary shared, "Multiyear unrestricted general operating support is what nonprofits need. It's so obvious, especially in a moment like this. Give the groups the money, and let them do their work. Locking people into a particular set of deliverables right now is not helpful—things are changing too quickly." Another large nonprofit leader echoed this sentiment: "Unrestricted funding is desperately needed and hard to get." And a grassroots leader concurred, "Nonprofits are struggling, and they aren't getting the funding they need. The lack of multiyear general operating support prevents flexibility and greater impact."

- **Expand capacity building.** In some of our interviews, we heard frustration with the sector's current approach to capacity building, with its emphasis on training or technical assistance instead of more flexible grants to organizations. To be clear, nonprofits see current efforts as necessary but not sufficient, and want to reframe capacity building as including more flexible financial support for organizations *and* funding the full cost of social change. As one interviewee said, "[Conventional] capacity building is a complete waste of time for most organizations. Stop spending small grants on training. We're delusional just giving these small organizations small money and then wondering why they aren't growing their impact." We also heard from interviewees that some capacity building providers and intermediaries are themselves in need of disruption.

> "Stop spending small grants on training. We're delusional just giving these small organizations small money and then wondering why they aren't growing their impact."

- **Invest in collective infrastructure.** Part of reimagining capacity building also includes more funding for collective infrastructure (shared services, platforms, etc.) and more support for collaboration. The sector has to make the shift to systems thinking if we are ever to achieve social change at the scale of the problems we're addressing. As one funder shared, "This question of infrastructure is crucial. What is the infrastructure necessary to help movements take more intersectional approaches and inside/outside strategies? To expect that the infrastructure will be healthy and sustained without investment is problematic." Another funder echoed this sentiment: "What I have become interested in is the real opportunity to strengthen the way organizations work together in our field and reinforce movement infrastructure. We have to recognize that capacity has as much to do with the system as with the organizations themselves. It's not enough to strengthen individual organizations if we aren't strengthening the links between organizations. There is a lot of strength in the nonprofit field, but it is in silos, competitive, and not always consistent with the best outcomes."

- **Follow the emerging funders.** Luckily there are a handful of foundations on the leading edge of making this shift to systems philanthropy, and they can point the way forward for others to follow. These examples are not comprehensive, but they do represent some of the emerging bright spots singled out by others:

  - **The Barr Foundation** in Boston was cited by a few interviewees for creating a special initiative in 2017 to respond to "dramatic shifts in the national context." According to their website and staff, they now "support frontline organizations working with communities threatened by the current political and social environment, promoting human rights, and protecting civil liberties in Massachusetts through legal protection, community education and organizing, and public awareness efforts." Most of these grants offer unrestricted, multiyear operating support to these local nonprofits.

- **The Levi Strauss Foundation**, which we interviewed, shifted several years ago to investing in local social-justice leaders and building their capacity at multiple levels: their leadership and governance; organizational capacity, including technology; network capacity; and movement building. As the executive director Daniel Lee shared, "We are tapping extra funds to address this crisis, but we aren't sure the crisis will ever go away. The threats to democracy are not going away anytime soon. This is not a rainy day—this is a sustained monsoon."[20]

- **The Pisces Foundation**, which we interviewed, has invested in collaborative and systems-level work; it funds organizations as well as networks and movements working on shared agendas. According to its president, David Beckman, "Developing a long game requires ongoing coordination, trustful relationships, and the ability for all of us to feel successful in the differentiation of our strategies and in our collaborative work. That, plus a willingness to invest in scaled efforts, and a fewer number of big goals, can make a difference."

- **The Whitman Institute**, which we also interviewed, was already spending down before the election but is now investing more in general operating support for movement builders. As one of their leaders shared, "Foundations should step into a leadership role to support people in building the relationships they need to authentically work across issues and sectors. The ability to connect is not a one-off moment but about the consistent spaces and processes for people to engage in collaborations. Foundations need to look at relationship building as a measure of impact—we don't move forward together until we've built trust."

THE PACKARD FOUNDATION'S RESPONSE

IN LATE 2016, THE DAVID AND LUCILE PACKARD FOUNDATION DECIDED TO MAKE AN ADDITIONAL $22 MILLION IN GRANT FUNDS AVAILABLE, QUICKLY AND FLEXIBLY. This additional grant funding was deployed through program areas most directly impacted by the current policy climate—conservation and science; population and reproductive health; and children, families, and communities. A portion of these funds were focused specifically on capacity building for grantees. After interviewing a group of grantees to better understand their immediate needs, foundation staff worked with Rockefeller Philanthropy Advisors to establish a "Resilience Initiative," which provides rapid response capacity building support to grantees impacted by the new policy climate.

According to a statement by the Foundation's President, Carol Larson, "This is a time of great concern. Scientific research is being defunded and scientific knowledge discounted; commitments to halt dangerous climate change and increase the productivity of our oceans are being abandoned; and the fundamental right to quality health care is being undermined. These changes affect us all, and they have a disproportionate impact on the poor and marginalized." She went on to say, "In the face of these realities, we need to deepen our commitment to our longstanding areas of focus…. At the same time, we also know how important it is to respond quickly when the situation demands it."

[20] Daniel Lee was an advisor to this project, and the Levi Strauss Foundation's Pioneers Program was the subject of a much more detailed case study: http://levistrauss.com/pioneers-in-justice-building-networks-and-movements-for-social-change/#.WsfK8tPwZTY

CONCLUSION

We are living in a moment where all of these social change leaders are being asked to do what they have always done, and to collaborate more readily, and to do all this at the speed of change underway.

As our research and experience illustrates, social-sector leaders are under increasing pressure to collaborate across organizations, issues, and sectors, and build the new mindsets and skills needed for social change. Established legacy nonprofits are being asked to serve as intermediaries and capacity builders in larger ecosystems. Movements are needing shared infrastructure and platforms to get more productive. Traditional intermediaries are being challenged to go beyond technical assistance and limited approaches to capacity building. And funders are being asked to respond to this new normal by making a commensurate shift in their own work and to be more responsive to grantee needs. We are living in a moment where all of these social change leaders are being asked to do what they have always done, *and* to collaborate more readily, *and* to do all this at the speed of change underway.

Our hope is that the sector will respond in kind and find ways to advance this work. Hopefully, this paper will spark an important conversation in the sector and lead to deeper, more targeted research on many of the themes we've surfaced. We will be working with the Packard Foundation and others to continue sharing our research, gaining input from others, and advancing the conversation about capacity building in the current environment.

Regardless of where you work—in nonprofits, philanthropy, or other—we believe this is a moment of reckoning in our sector. To quote the old adage, it's a moment of both crisis and opportunity. The crisis is about protecting the values, people, and priorities that philanthropy holds most dear—and the foundational groundwork that has been laid over the last decades of work. The opportunity is about addressing the inequities and dysfunctions in an outdated system and innovating to create a better model going forward, on both the nonprofit and funding side. Collectively, we believe we have a responsibility both to respond to this moment but also to cocreate a new and brighter future for our sector. As one interviewee said so eloquently, "This moment has only accelerated the work and added urgency. How do we match the bigness of this moment with the bigness of our strategy?"

The crisis is about protecting the values, people, and priorities that philanthropy holds most dear—and the foundational groundwork that has been laid over the last decades of work. The opportunity is about addressing the inequities and dysfunctions in an outdated system and innovating to create a better model going forward, on both the nonprofit and funding side.

APPENDICES
Methodology and Definitions

APPENDIX 1: METHODOLOGY AND DEFINITIONS

Goals

We set out in late fall 2017 to understand how capacity building needs in the social sector are changing in the current political and economic environment, and how funders are responding to these changing needs. Our research was funded by the David and Lucile Packard Foundation, both to inform its organizational effectiveness grantmaking strategy, and to share the findings with the larger field. Specifically, we wanted to know:

- **What** is the impact of the current economic and political environment on the capacity building needs of social-change leaders, nonprofits, networks, and movements?
- **How** are funders currently responding to this moment and meeting the needs of these social-change leaders? How can they better support this work going forward?

Approach

We began our research by conducting a high-level scan of the capacity building and organizational-effectiveness literature, which is vast. In order to expedite this, we relied heavily on reports (some internal to foundations) that have already synthesized decades of research on effective nonprofit organizations, leaders, and networks. Given that we too have been immersed in this work over the past decades, we also drew upon our own knowledge and research. We also scanned articles in the media about how nonprofits and philanthropy are being impacted by the current political environment. This background helped us formulate our research approach and provide critical context. (See below for a list of sources.)

Next, we identified and interviewed a diverse cross-section of 21 leaders of nonprofit organizations, networks, capacity builders (intermediaries), and foundations about the current context, capacity needs, and how to support social change in this environment. Within this sample, we included organizations of different sizes, geographic scope (i.e. local, national, and international), and issue areas. (See full list below.) We recognize that this is a small sample spanning diverse entities, but we made the choice to go broad, not deep, and surface important themes holistically. In addition, we had a bias towards interviewing leaders of advocacy organizations whose missions are currently under attack, in areas such as climate change, immigrant and LGBTQ rights, economic inequality, etc. As a result, direct-service organizations—especially those that may be most impacted by federal or state budget cuts—are under-represented in our interview sample; we supplemented with secondary research. We recognize the limitations of our sample and hope that it will spur a larger conversation and more comprehensive research.

Additionally, we intentionally included several Packard Foundation grantees in our interviews and drew upon other internal foundation data, such as grantee surveys and needs assessments, as well as targeted external research to test what we were hearing in our conversations. Lastly, we convened a small group of social-sector leaders to advise our research and help us frame the concepts in this report; they are also listed further below.

Key Questions and Definitions

What: We began our inquiry using the lens of "capacity building"—language used in the social sector to indicate a broad range of organizational-development activities beyond running programs. As we began analyzing our data and getting input from advisors, we realized that the traditional language of "capacity building" is insufficient to describe the broad range of needs across the diversity of social actors working in the sector today. For one thing, capacity building usually refers to organizations as the unit of analysis; whereas, we looked at capacity building more broadly. For another, the term doesn't translate well outside our sector. However, for the purposes of simplicity, we will leave semantic inquiries to others; in this paper, we use the term "capacity building" to indicate any developmental activities, for any social-change entity, that amplifies overall organizational/network effectiveness and impact.

Who: In order to broaden the conversation, we expanded our "unit of analysis" to include leaders of social-sector organizations, networks, and movements, along with funders of the work. We recognize that the social sector is a complex system that includes the work of many different actors, even extending to businesses and government. This paper takes an inclusive view of the targets of capacity building efforts within the sector (i.e. nonprofits and philanthropy); we did not interview leaders in government or business. We also focused primarily on the U.S. social sector, although we did interview a few international NGOs.

When: We focused on the time period between 2016 through late 2017. While the social sector has a long history of disruption (e.g. 9/11, the 2008 financial crisis), we've made the assumption that the 2016 election and aftermath introduced a very different set of challenges to the sector, and the issues many nonprofits and foundations care about, with important implications for how we think about building social-change capacity now and in the future.

DEFINITIONS

Nonprofits: Organizations with 501 (c)(3) or (c)(4) status focused on delivering social services or creating social change

Foundations: Nonprofits that provide financial capital to fund service delivery or social change

Social Sector: The larger field of nonprofit organizations and individuals intent on impacting the world to produce greater social good

Networks: A group of people and organizations defined by intentional relationships around an issue, geography, or identity

Movements: A broad group of interconnected people and organizations focused on a larger shared goal or issue area, a network of networks

System: The container for the work of the social-change sector; a system can be an organization (the ACLU), a larger entity (e.g. a school district), or even a whole sector (health care)

Capacity: The consulting firm TCC Group (www.tccgrp.com) defines capacity as the "skills and ability to make and execute decisions in a manner that achieves effective and efficient results."

Capacity Building: TCC calls this "the process of building those skills and abilities."

APPENDIX 2: INTERVIEWEES AND ADVISORS

Interviewees (Senior Leaders)

ACLU of Northern California
Anti-Defamation League
Bend the Arc
DataKind
Global Fund for Women
Groundswell Fund
Levi Strauss Foundation
Management Assistance Group (consultant)
Marie Stopes International
Movement Strategy Center
National Committee for Responsive Philanthropy
Oak Foundation
Omidyar Network
Pisces Foundation
Rainier Valley Corps
Room to Read
Sierra Club
Stanford Law School, Levin Center for Public Service
Transgender Law Center
Upstream USA
The Whitman Institute

Advisors

Linda Baker, The David and Lucile Packard Foundation
Alexa Cortes Culwell, Open Impact
Katherine Fulton, Independent
Kriss Deiglemeier, Tides Foundation
Daniel Lee, Levi Strauss Foundation
Melinda Tuan, Melinda Tuan Consulting

APPENDIX 3: OTHER SOURCES AND RESOURCES

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