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Funders Adapt to the New Normal

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How does today's current environment impact how we fund social change? Even before the 2016 U.S. elections, globalization, technology, and growing inequality have been disrupting the social sector. And now, the current U.S. administration and Congress is in the process of undoing decades of policy work on issues like immigration, women's rights, LGBTQ rights, and the environment. To meet emerging challenges and adapt to new realities, social-change leaders are now tasked with doing more and keeping pace with the change underway – all while under threat.

Eager to understand how the current climate impacts those on the frontlines of social change, we at [Open Impact](#) interviewed a number of diverse leaders about how they are thinking about organizational capacity at this time. The results of our research, funded by the David and Lucile Packard Foundation, were recently published in a new report, "[The New Normal: Capacity Building During a Time of Disruption](#)." Our hope is that what we learned from these interviews will help inform how funders align their support with emerging needs in the sector.

Many of the social-change leaders we spoke with shared that they don't feel well supported by their funders. Among their concerns is that funders seem insulated from the disruptions nonprofits are facing, and institutional philanthropy seems calibrated for an era that no longer exists. Indeed, there's large variance in how philanthropists have responded to the current climate. Some funders are in an emergency mode of grantmaking, establishing short-term rapid-response funds and dipping into assets. Others have shifted aspects of their grantmaking, but continue to require reporting that doesn't align with the growing uncertainty around what is needed now. And many have remained cautious, avoiding dramatic shifts in order to see what unfolds.

Based on what we heard in our interviews with these leaders — and validated by **several recent studies** — there seems to be a growing acknowledgement that philanthropy must also adapt. We heard from social-change leaders that they need their funders to understand the realities they are facing and trust them to be innovative, adaptive, and responsible stewards of resources. Simply put, social-change leaders want their funders to be as nimble and resilient as they are asking grantees to be. 

We think this begins with funders **adopting a “both/and” mindset** — embracing the fact that navigating the current tensions isn’t temporary, but is rather a condition of the “new normal” of funding social change. Some key tenets of the both/and approach include:

Being responsive and strategic. In this dynamic environment, social-change leaders don’t have time to formulate three-year strategic plans with static outcome measures. Rather, nonprofits need the flexible, long-term capital that will allow them to build organizations that can both respond to near-term challenges and approach future work creatively.

Funders are being implored to **get beyond the “overhead myth”** once and for all and fund the full cost of social change — the same way the private sector funds the full cost of doing business. To do this, funders need to think about how they deploy capital more flexibly. What we heard from some funders is that the rapid-response funds they established are providing a zone for innovation, and an opportunity to get closer to the work on the ground. This idea of creating a safe space for experimentation may power different conversations and different approaches to emerging sector needs.

Building internal and external capacity. Traditionally, funders invested in organizations as an impact multiplier. But in a moment when organization building often follows movement building (see #MeToo, Black Lives Matter, and #NeverAgain), funders must understand various elements of the systems they are hoping to influence. To do that, they must build their own internal sophistication — not just about the organizations they are funding, but also about the relevant issues, intermediaries, impacted communities, and dynamic systems that those organizations are working within. Funders who fund across issues or build strong internal capacity at key organizational hubs in complex systems offer an example of how to toggle between internal and external capacity needs.

Thinking systemically and acting proximately. The best nonprofit leaders have long known how to navigate various elevation changes in their work — seeing the systems they operate in while staying close to the experience of end users. What we heard from these leaders is that funders also need to get proximate to the real needs on the ground. Funders need to see themselves in the system, not as capital sitting on the sidelines.  Expressions of this behavior are becoming more common through funder collaboratives and the increasing inclusion of community voice in

funder decision processes. Again, the speed at which this happens is vital in this current environment.

In addition to pinpointing these both/and approaches, our research uncovered some key areas of focus for capacity investment in this moment. These include:

- Shoring up nonprofit safety and security. A number of nonprofit leaders and their staff are facing verbal, physical, or cyberattacks. Organizations are struggling to build the capacity to keep their staff, clients, and communities physically and psychically safe. Funders can offer targeted support to help create adequate safety nets for organizations.
- Offsetting the impact of budget cuts. The Center on Budget and Policy estimates that the **new federal budget** will ultimately cut state budgets by 37 percent, which will have ripple effects on the entire nonprofit sector. For many nonprofits, this may create uncertainty around revenue even as they experience an increase in demand for their services. Funders can offer philanthropic capital as bridge funding or a cushion to nonprofits experiencing government budget cuts and help grantees develop more diversified revenue models for the future.
- Addressing inequities in “crisis capital” flows. Some nonprofits, particularly large advocacy organizations with trusted brands like the ACLU, are experiencing a surge in donations driven by political headlines. But smaller organizations on the frontlines serving marginalized communities are missing out. Funders can mitigate the impact of inequitable funding by staying proximate to the work, making sure that impacted communities have a voice, and/or selecting larger intermediaries to re-grant funds directly to community-based organizations.
- Bridge the leadership gap. The sector is potentially facing the retirement of senior leaders and the burnout of young leaders at a critical moment. All the leaders we interviewed spoke of struggling to address the long-term “wellness” of their staff. Funders can offer support to nonprofits for sabbaticals, coaching, and other gifts of time that enable reflection and renewal at all staff levels.

If this all sounds exhausting and relentless, it’s because it is. But this is the new normal. We believe that funders must intentionally build a different set of mindsets and behaviors – what we’re calling “systems philanthropy” – in order to shift entrenched structures and norms that reinforce the rigidity that no longer serves us. If we are ever to achieve social change at the scale of the problems we are seeking to address, it must become our new normal.

<http://cep.org/funders-adapt-to-the-new-normal/>



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