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How Funders Can Support Nonprofits Now

Notes on building capacity during a time of disruption

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It has never been easy to be a nonprofit leader—and it certainly isn't easy now. Even before the 2016 US election, forces like globalization, the rise of technology, new forms of online organizing, and growing inequality have been disrupting the work of social change and creating new capacity-building needs for nonprofit leaders. In recent years, it has also become clear that achieving large scale, lasting change requires much more than just building effective nonprofit organizations. It also requires developing agile leaders, creating new networks, catalyzing social movements, and changing larger systems.

In the United States, we're seeing the current political administration and Congress undermine decades of the social sector's work on issues like immigration, women's rights, minority and LGBTQ rights, the environment, and the social contract with government. Recent federal government spending cuts, paired with a tax bill that de-incentivizes individual giving, are adding further uncertainty to the mix. Social change just got harder—and more urgent.

Eager to understand what is happening on the frontlines of social change in the current environment, we recently interviewed a number of nonprofit and foundation leaders representing different issues and geographic scopes about their challenges and needs. The results of our research, funded by the David and Lucile Packard Foundation, have just been published in a new report, "[The New Normal: Capacity Building During a Time of Disruption](#)." What we learned from these interviews should help inform how funders can better support nonprofit organizations.

A number of nonprofit leaders are facing verbal, physical, or cyberattacks while working to keep their staff and communities, or clients, physically and psychically safe. Despite rising demand for their services, many nonprofits are also scrambling to secure revenue in the face of impending federal budget cuts. Larger nonprofits like the ACLU face the opposite challenge, as they grapple

with how to absorb a sudden influx of “**crisis capital**,” or donations driven by political headlines. Meanwhile, existing gaps within the sector have become more pronounced, including: the unequal distribution of resources between large and small nonprofits; the chasm between the skills leaders possess and the ones they want to develop; and the disconnect between what funders provide, and what nonprofits actually need to do their work effectively.

If this all sounds exhausting, it is. But this is the new normal. Social-change leaders are tasked with doing what they have always done and collaborating more readily, all while under threat, and at the speed of change underway. They must play a never-ending version of 3D chess, navigating a series of tensions around time, place, altitude, and scale. As one leader we interviewed put it, “There’s no more ebb and flow in the work—it’s a constant flow.” Among other things, we learned that “wellness” has become a new organizational capacity.

The conditions under which these leaders operate have important implications for how the sector thinks about building social change capacity, now and in the future. Indeed, if the traditional language of “capacity building” was already in need of an upgrade, it now needs a complete overhaul. The outdated term is simply insufficient to describe the broad range of needs across the diversity of individuals and organizations working in the social sector today.

If there is good news, it’s that the old model has been broken, and we now have a chance to invent a new one. We think this begins with social sector leaders **adopting a “both/and” mindset**—embracing the fact that navigating the following tensions aren’t temporary problems, but rather a condition of the “new normal.” These leaders are charged with:

Being responsive and strategic. No longer is there time to project forward three years and formulate a fixed strategic plan. Rather, the lines between “strategy” and “capacity building” are blurring, if not outright disintegrating. Social-change leaders need more-flexible strategies, adaptive leadership, unrestricted funding, and short-term feedback loops that enable them to react to a rapidly shifting environment and assess whether they are gaining traction against their goals.

Building internal and external capacity. Traditionally, funders told leaders to put on their oxygen masks first, then worry about external mobilization. The notion of capacity building was linear: Strengthen organizations, then networks and movements. But in a moment when organization building often follows collective action (as with #MeToo, Black Lives Matter, and #NeverAgain), social-change leaders and funders no longer have the luxury of thinking of capacity building in a sequential fashion. Funders must invest in capacity at different levels of systems.

Thinking systemically and act proximately. Social-change leaders need to continue to think and act at different altitudes: They must see the systems 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—working both on the dance floor and in the balcony. And funders should recognize that nonprofits are usually the closest to the end-user and have important knowledge and wisdom to share.

Funders must also embrace these “both/and” tenets and think about how they are making a commensurate shift in their own work. It means funders should be as nimble and adaptive as they are asking their grantees to be. They must also see themselves in the system, not as capital sitting on the sidelines. Critically, they must **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. And they need to give nonprofits what they are desperate for: flexible, long-term capital. As one interviewee shared, “Multi-year, unrestricted, general operating support is what nonprofits need most. It’s so obvious, especially in a moment like this. Give the groups the money and let them do their work.”

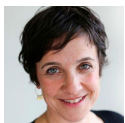
Many social-change leaders and funders are already on this path, and we highlight several bright spots in our report. Indeed, we are seeing an emergence of what we call “systems philanthropy”—a funding mindset that aligns with the complex and multi-dimensional realities of how social change is happening in this current climate. As one funder said, “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.”

We believe that these new mindsets and behaviors must be embedded in the social sector going forward. If we are ever to achieve social change at the scale of the problems we are addressing, it must become our new way of working.

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