2020 NGO FUTURES CEO FINDINGS

MARCH 2020

A SECTOR IN TRANSITION

InterAction CEOs on Leading Organizations in a Changing World

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A United Voice For Global Change

SUMMARY

During December 2019-January 2020, 76 InterAction member organization executives shared their insights into changes in our operating environment and how they are adapting. Bottom line, this is a time of transition. The international NGO operating ecosystem is anticipated to change ever more rapidly and, unfortunately, the impact of COVID 19 confirms these trends. Fewer organizations believe they are matching the rate of change. Compared to last year's survey, more organizations anticipate upcoming business model risk.

Community-wide, change is in motion. General nervousness about external environment change is resulting in increased executive focus on plans to manage change, innovation, and trying new things. The sector is trying to adapt, and the tone of the response is shifting from frustration last year to a willingness to explore and activating new ideas.

Larger responding organizations are acting on change at a greater pace and report being further along in their change cycles than others. There seems to be less - and less rapid - evolution among smaller

DATA OF CHANGE

- 89% see the greater ecosystem within which their organization works changing faster over the next ten years. The remaining 11% see it changing at pace as change is the new normal.
- 99% are changing – though belief they are matching the rate of external change and complexity dropped from 80% in 2018 to 35% in 2019 to 25% in 2020.
- Business model confidence dropped. The proportion selecting 'somewhat unstable but manageable' dropped from 61% in 2019 to 45%in 2020., while the proportion selecting ' increasingly at risk' grew from 18% to 28%.
- Resources feel the most fragile of five major areas, though data diverges by size. 36% of larger and 58% of smaller organizations feel fragile or somewhat fragile in the resources realm.

WHAT ARE ORGANIZATIONS CHANGING?

- New-to-organization ways to finance work; business models; and significant new programs are top realms of operational / structural change.
- Climate change & environmental degradation and increasing inequality are top priorities both for organizations *and* for significant collective action.
- 80% or more organizations are engaged in advancing every named aspect of culture change.

organizations. What is near-universal – 99% of respondents share they are engaged with proactive strategy and team mobilization to match or exceed the rate of external environment complexity and change.

Where are members focused? Acting on climate change and environmental degradation is the most frequently chosen area across fourteen major trends. The other areas where executives are increasing investments and adapting their organization include protracted humanitarian crises and conflicts, poverty increasingly concentrated in fragile states, localization, and reacting to increasing inequality.

EXPLORING THE SPECIFICS

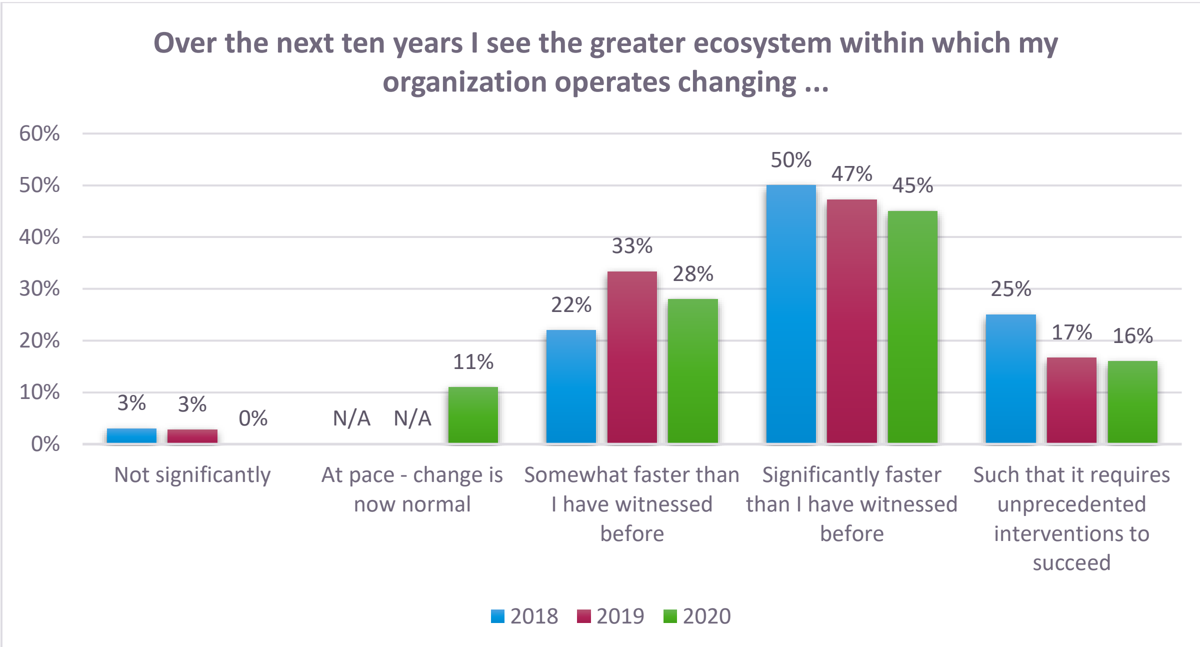
WHOSE INSIGHTS ARE THESE?

From December 2019 to January 2020, 76 InterAction-member-organization executives shared their insight on the changing operational ecosystem and how their organization is responding. This is the third-annual NGO Futures survey. Respondents represent a full mix of international nonprofit sizes, foci, secularity and non-secularity, operational humanitarian and development, advocacy, and coalition organizations.

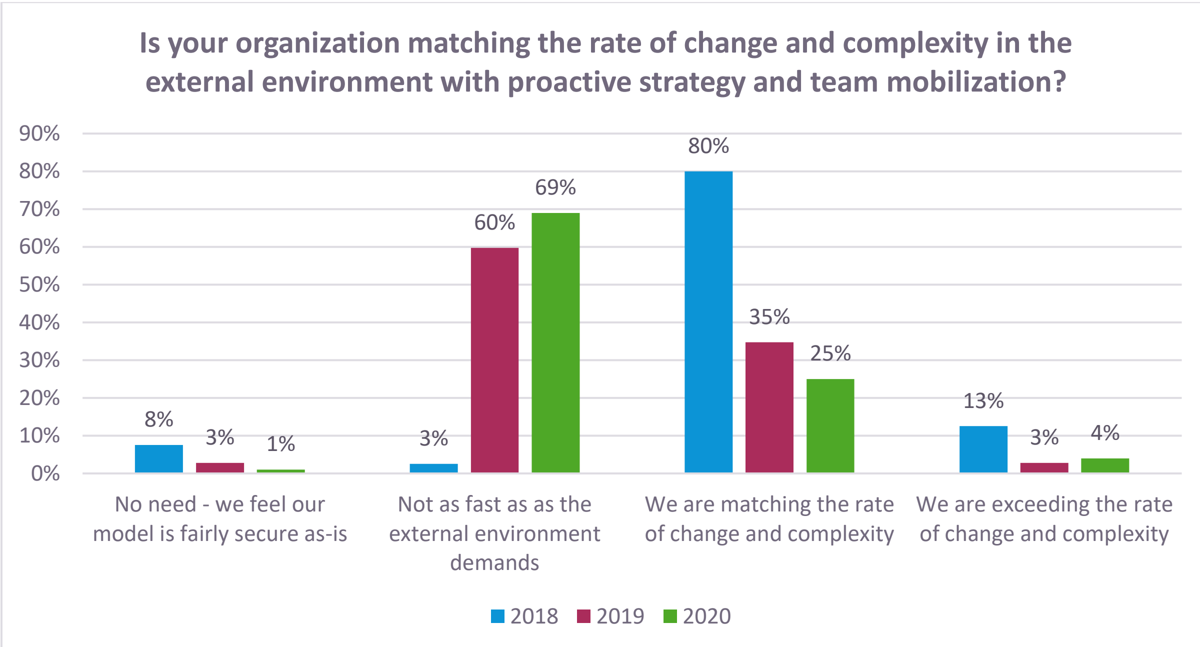
A CHANGING OPERATING ECOSYSTEM

External change: 89% of respondents see the greater ecosystem within which their organization operates changing faster over the next ten years. The remaining 11% selected a new option of anticipating the rate of change staying at current pace.

Data shows a light easing of the anticipated rate of increased change compared with the previous two years' responses.



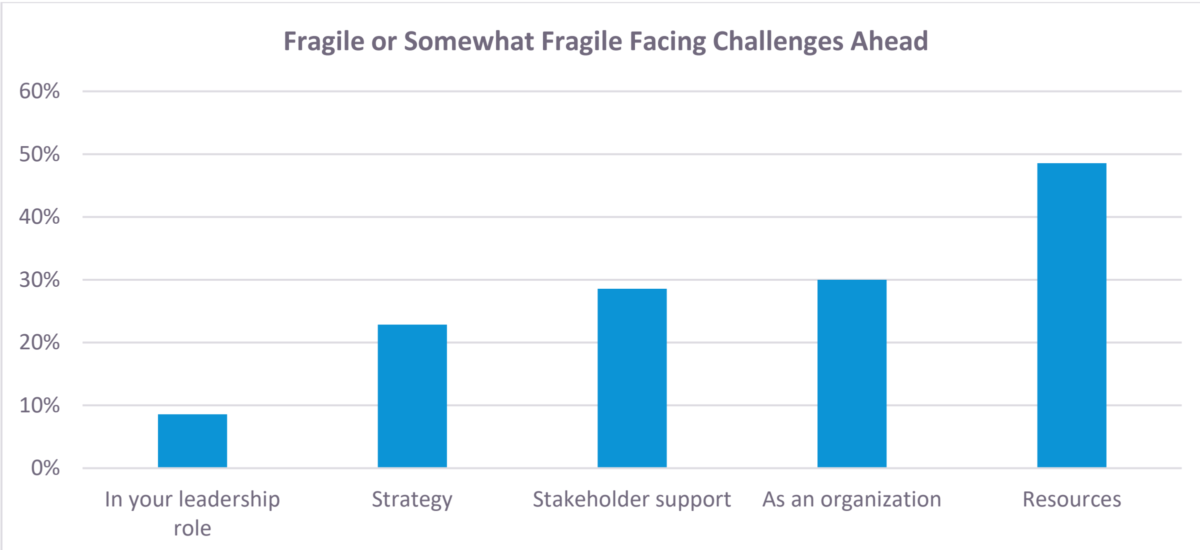
Seeking to keep up: 99% of respondents share that their organizations are enacting proactive strategy and team mobilization in effort to match the rate of operating environment change and complexity. Confidence, however, is dropping. Two years ago, 80% of respondents believed their organization was matching the rate of external change and complexity. Last year this number dropped to 35%. This year dropped further, to 25% of respondents believing their organization is matching the rate of external change and complexity.


Is your organization matching the rate of change and complexity in the external environment with proactive strategy and team mobilization?
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
8%
3%
1%
3%
60%
69%
80%
35%
25%
13%
3%
4%
No need - we feel our model is fairly secure as-is
Not as fast as as the external environment demands
We are matching the rate of change and complexity
We are exceeding the rate of change and complexity
2018
2019
2020

ASPECTS OF BUSINESS FRAGILITY

Resources is seen as the most fragile of five major business elements, with almost half feeling fragile or somewhat fragile.

How stabile or fragile do you feel facing challenges ahead?



Leadership role is the area of greatest perceived stability, with 91% of respondents feeling stable or somewhat stable.

	Fragile	Somewhat Fragile	Somewhat Stable	Stable
In your leadership role	0%	9%	39%	53%
Strategy	1%	21%	59%	19%
Stakeholder support	0%	29%	57%	14%
As an organization	1%	29%	56%	14%
Resources	10%	39%	46%	6%

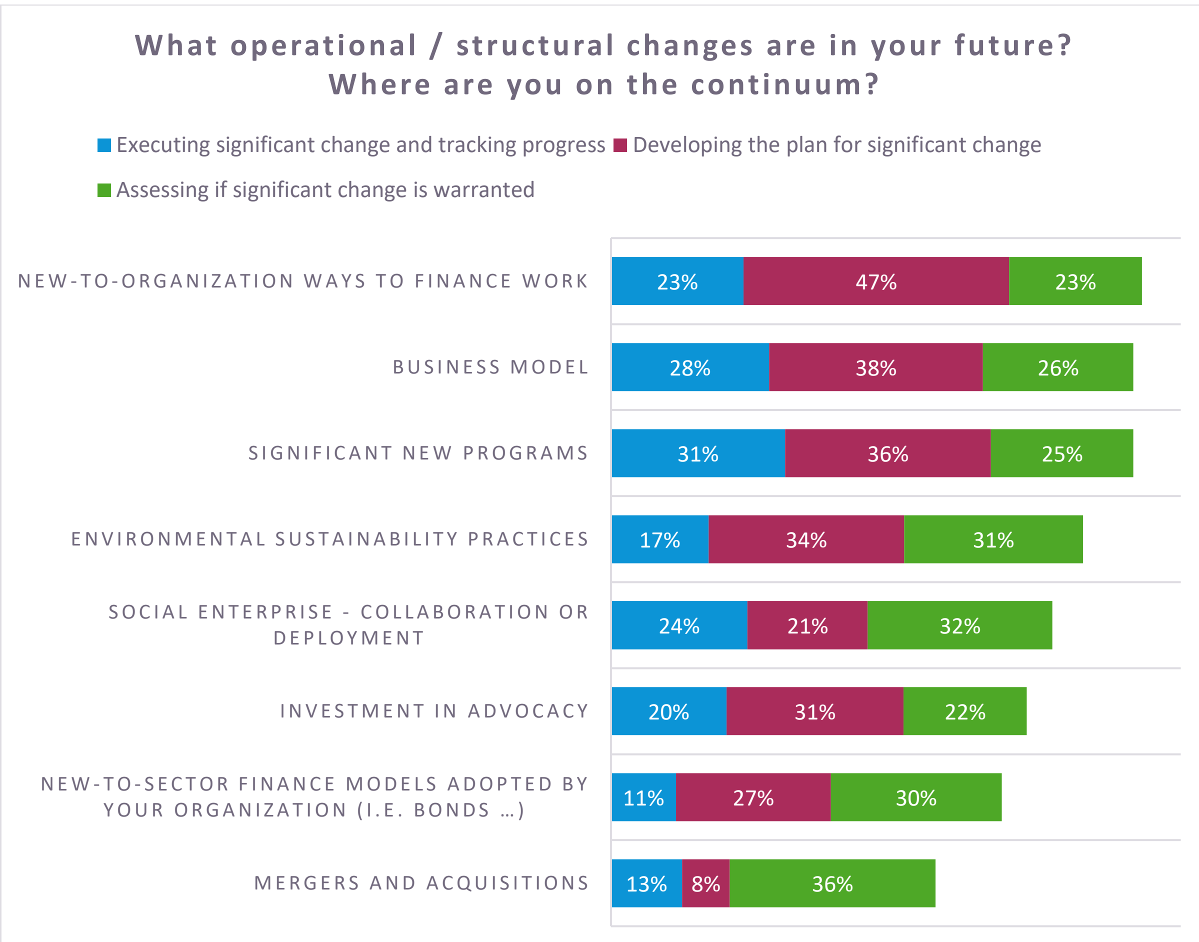
Size insight: Though remaining the top area of perceived fragility for larger and smaller organizations alike, resources has a noticeable organization-size divergence. 36% of larger organizations feel resource fragile or somewhat fragile compared to 58% of smaller organizations.

Fragile or Somewhat Fragile	All	Largest 25	Smallest 27
In your leadership role	9%	8%	12%
Strategy	23%	24%	19%
Stakeholder support	29%	20%	27%
As an organization	30%	28%	35%
Resources	49%	36%	58%

OPERATIONAL AND STRUCTURAL CHANGES

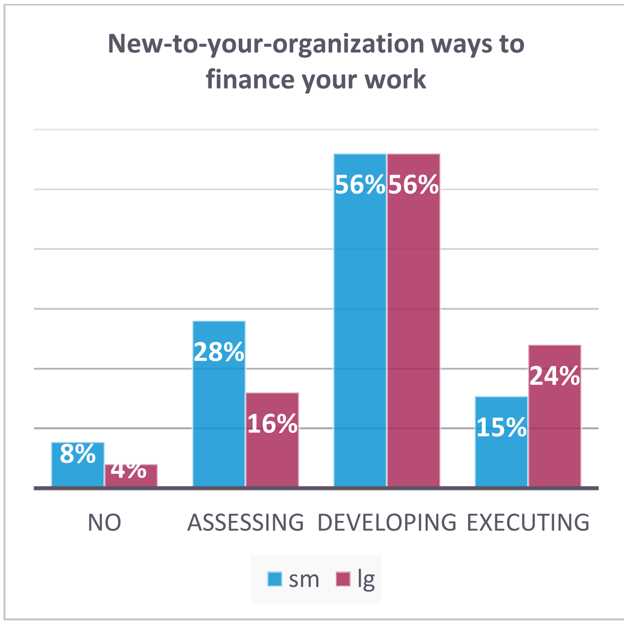
The top three areas of operational / structural change, whether considering, planning, or executing, are new-to-organization ways to finance work, business models, and significant new programs.

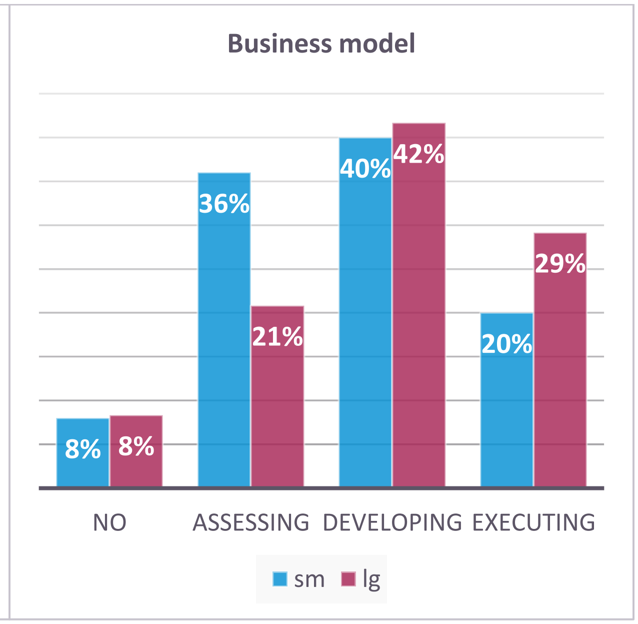
The top change under consideration is mergers and acquisitions. 36% of respondents are assessing if significant M&A change is warranted.



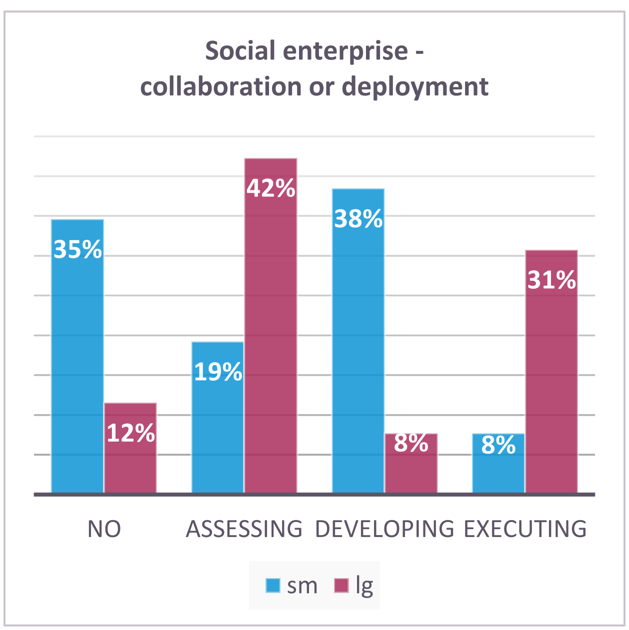
SIZE

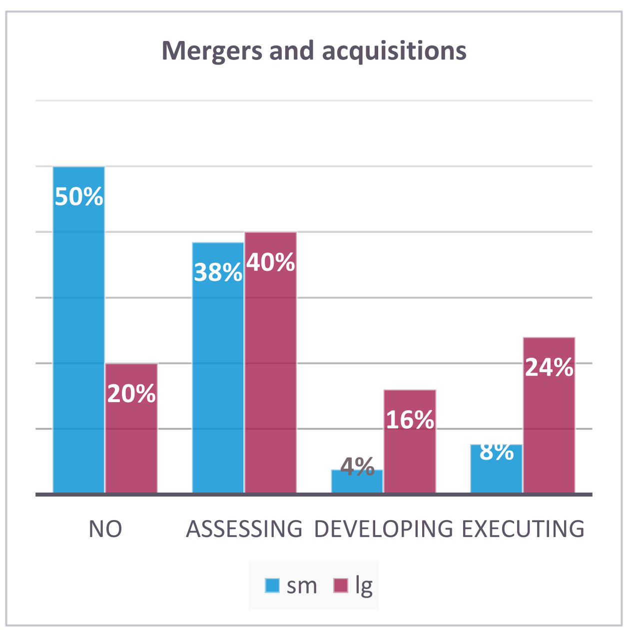
Breadth and speed of change staggers at times between larger and smaller organizations. For two top change areas, new-to-organization ways to finance work and business model change, a larger proportion of large organizations are in the 'executing and tracking' phase of change; a larger proportion of small organizations are in the 'assessing' phase of change.





Smaller organizations also diverge in the areas of social enterprise collaboration or deployment and M&A – two areas where a notably larger proportion of small organizations are not considering shift.





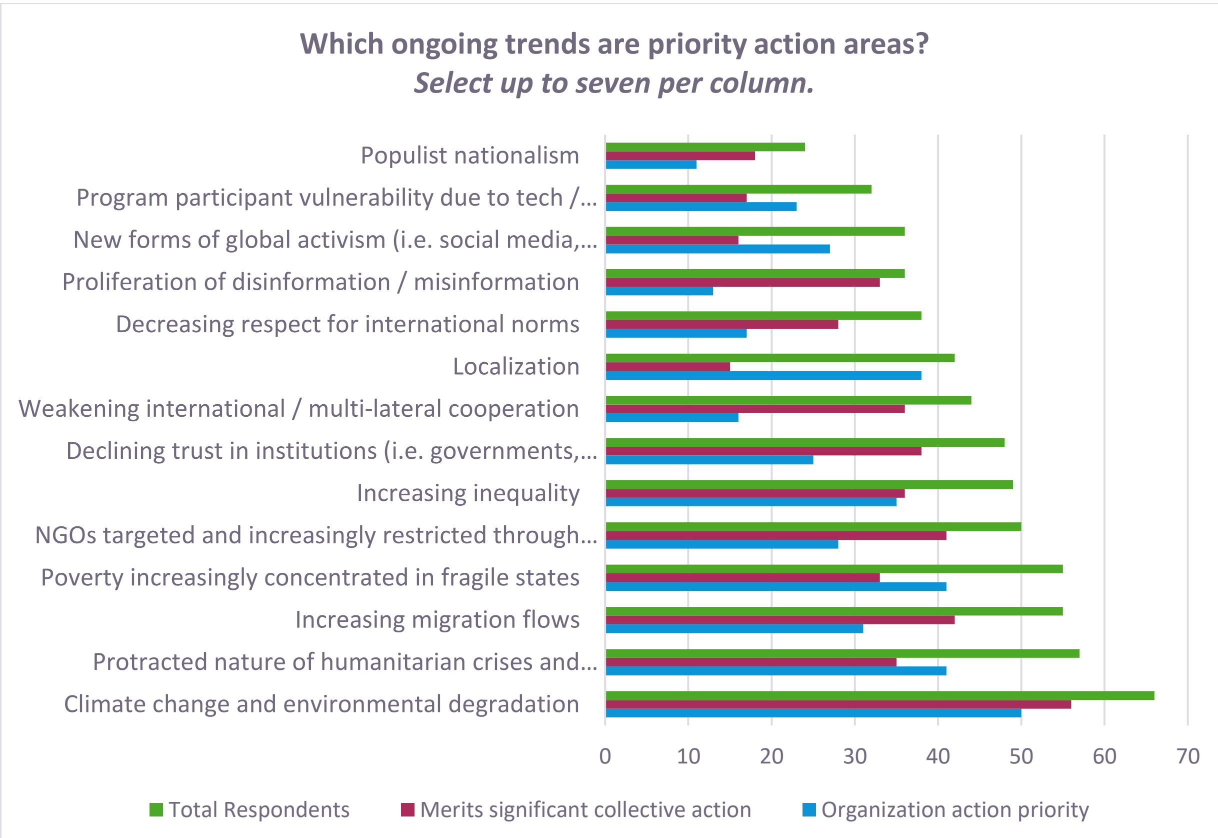
This is true even while both are growing areas of change overall.

- M&A is the top area under assessment for if significant change is warranted, growing from 29% in 2019 to 36% in 2020. M&A execution and tracking also grew overall from 6% to 13%.
- Social enterprise collaboration or deployment is also up, with 77% of respondents on the change continuum of assessing, planning, or executing and tracking. The proportion of organizations execution and tracking social enterprise collaboration or deployment grew from 14% in 2019 to 24% in 2020.

This size – action lag could be seen as matter-of-fact reality that smaller organizations are stretched by nature of being smaller, or a disconcerting lag of particularly vulnerable organizations not making changes as rapidly as the changing operating ecosystem might demand in order to survive.

PRIORITY TRENDS

Climate change & environmental degradation is the most frequently chosen action area of fourteen major trends.



In order of frequency selected, following is rank order of organization-action and collective-action priorities:

ACTION PRIORITY FOR MY ORGANIZATION (INVESTING SIGNIFICANT TIME / MONEY OVER THE COMING YEARS)	MERITS SIGNIFICANT COLLECTIVE ACTION
Climate change and environmental degradation	Climate change and environmental degradation
Protracted nature of humanitarian crises and conflicts	Increasing migration flows
Poverty increasingly concentrated in fragile states	NGOs targeted and increasingly restricted through increasing regulations
Localization	Declining trust in institutions (i.e. governments, charities, social media, media, corporations, local partners)
Increasing inequality	Increasing inequality

Climate Change & Environmental Degradation

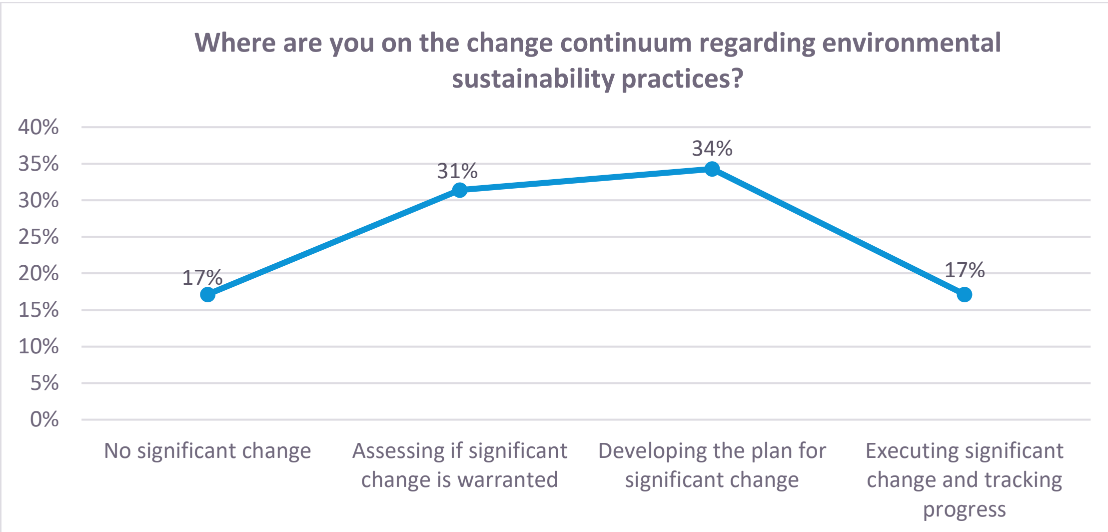
Whether a priority for the organization or the collective, more organizations prioritized climate change & environmental degradation than any other of fourteen major trends impacting the sector.

Most frequently selected action priority: climate change & environmental degradation

- organization priority — 50/76 respondents; 66%
- collective action priority — 56/76 respondents; 74%
- organization and/or collective action priority — 66/76 respondents; 87%

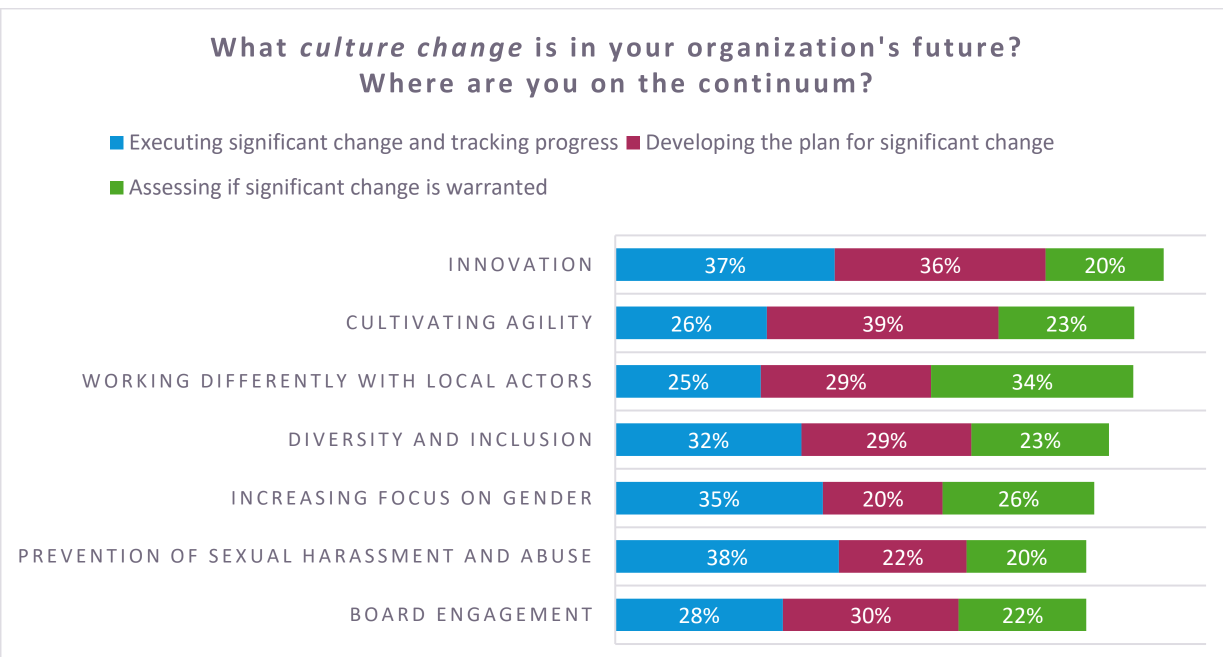
Data suggests an uptick in climate change prioritization. In 2019, climate change was amongst the top ongoing trends anticipated to noticeably impact respondent organizations, coming in 4^{th} out of 15 trends. 54% of respondents indicated that climate change would have a significant or fundamental impact on their organization, up to 66% including it as an organization priority and 87% identifying it as an organization and / or collective action priority.

Organizations are actively changing their environmental sustainability practices.



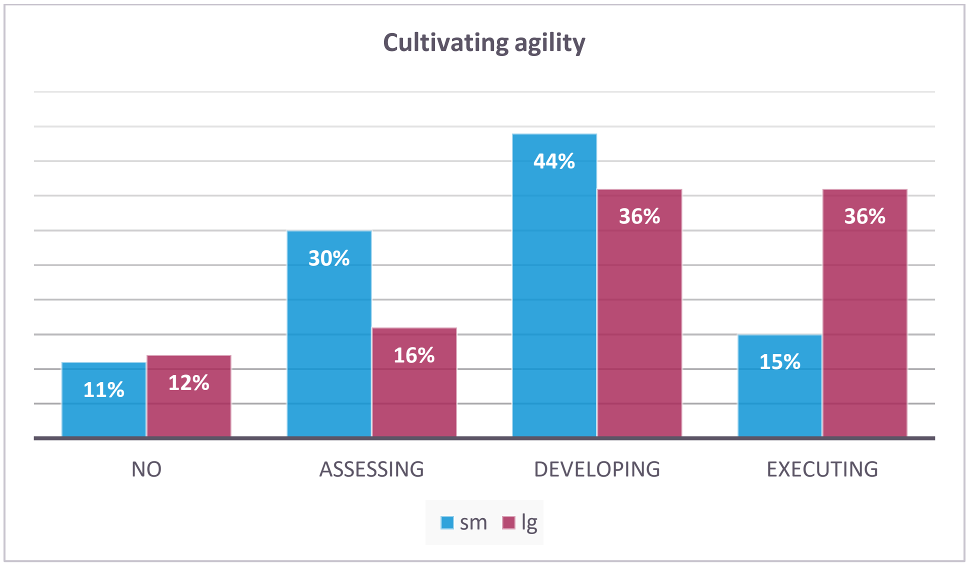
CULTURE CHANGE

For every culture change aspect surveyed, 80% or more of organizations are on the change spectrum.



Agility

Larger organizations are ahead of smaller organizations in the cultivating agility phases of change.



Some agility realms are believed to be further along than others, based on specific agility-attribute response data. Confidence was most high in organization culture attributes, followed by systematic agility methods, then leadership agility, and finally board agility. Great growth opportunities include:

- Using tools to systematically analyze horizon uncertainties – a strength for 6%
- Staff capturing and communicating what was learned from initiatives and projects – a strength for 27%
- Management systems to adapt to disruptions – a strength for 27%
- Board self-evaluates and continuously improves – a strength for 20%

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WHAT DOES THIS MEAN FOR YOU AND YOUR ORGANIZATION?

QUESTIONS TO ASK
1. How well is my organization keeping up in a rapidly changing world? 2. What constraints or limits are we facing? (business aspects, human aspects, field aspects, economic aspects…) 3. What is most important to my organization? 4. What is changing in our operating ecosystem: That will challenge us? That could be a unique advantage? 5. What do we need to better understand? External trends New or growing practices 6. What needs to happen for us To sure against vulnerabilities? To transition external change into opportunity? 7. Who can we engage to have greater breakthrough and not stay in a silo? 8. What are other options if we cannot reach our priorities under current plans? 9. What assumptions are we making? 10. How can we test these assumptions?

MY ACTION STEPS	THE EXACT TIME, DATE, AND PLACE I WILL TAKE ACTION

LEADING TOGETHER IN A CHANGING WORLD

WAYS TO ENGAGE AND GROW TOGETHER

InterAction is committed to the sector evolution for impact in a rapidly changing world. We provide safe exploration and co-learning space among sector leaders in support of transformational change. This includes peer learning, events with outside experts, and specific programs that develop an evidence-base of new practices and tactics for an evolving global environment.

READ

- NGO FUTURES DIGEST**:** Tips on the human side of advancing impact, highlights of major trend analysis and InterAction future-forward initiatives members can engage in, and upcoming events. Sign up HERE.

ATTEND

- FORUM: Every year the NGO community comes together to discuss the changing sector, challenges, and possible solutions. Newly revised FORUM seeks to grow and advance community across all levels through topic-specific dynamic learning sessions.
- CEO RETREAT: Every year InterAction CEOs convene to exchange ideas, develop capacity, network, and plan strategically with their peers in the sector. Click HERE for the most recent agenda.

ENGAGE

- Join a peer conversation group: NGO Futures leads conversation cohorts of peers seeking to drive their organization forward in a rapidly changing world. Currently we have three cohorts – one for larger organization CEOs, one for smaller organization CEOs, and one for chief strategy officers. Contact Deborah Willig, Director of NGO Futures, if interested in joining an existing cohort or proposing a new one.
- Alert your appropriate colleagues to join in specific InterAction initiatives including
    - ENVIRONMENT: Gatherings and learning opportunities to address climate change and environmental degradation, as well as to develop internal environmental sustainability practices. Click HERE to learn more and to read Turning Up the Heat, summarizing findings from a recent workshop series.
    - TOGETHER PROJECT: A hub of advocacy and solidarity for U.S.-based NGOs that confront discrimination or targeted prejudicial regulations due to their operating principles or

religious faith. Participants share information and develop strategies in response to shrinking civil society space experienced by these NGOs. Click HERE to learn more.

- HPP links?
- INNOVATIVE FINANCE FOR DEVELOPMENT: InterAction conducts research to identify key innovative finance instruments and how they have been, or can be, used to better help development NGOs exploring innovative finance opportunities. Click HERE for recorded learning webinars and learning reports.
- WORKING GROUPS: InterAction facilitates more than 20 Working Groups, from region-focused to sector-specific, which convene Member staff to share information, organize advocacy, and promote ideas. Click HERE to learn more.