




# Ahead of the Curve

Insights for the International NGO of the Future





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# Executive Summary

International nongovernmental organizations (INGOs) stand at an important juncture today. Progress toward achieving the Millennium Development Goals is mixed, and both INGOs and donors admit that today's INGO model is not sufficient to take on the challenges of the next 20 years. This report explores whether INGOs can leverage their distinct assets to proactively create greater impact to benefit the people they serve. The organizations that make up our study set represent the 50 largest U.S.-based INGOs that receive at least a portion of their funding from the U.S. government.

These INGOs comprise a relatively protected class, harried but not threatened to transform by donors. But major changes are affecting the INGO sector. While the problems INGOs address have always been challenging, the 21st century development and relief issues are more complex and cut across more issues and geographies than ever before. The private sector is emerging as a serious development actor, motivated by market opportunities. Empowered by technology, a new generation of philanthropists is giving directly to causes around the globe. Emerging country donors—China, Brazil, and India—are contributing to an increasingly fragmented global development funding pool. And new players, such as the organization charity: water, pose both a threat and a partnership opportunity to INGOs.

Most INGOs are neither proactively assessing these disruptions nor fundamentally changing in response. Rigorous, long-term, multisector collaborations needed to address complex challenges are rare. INGOs continue to look at the private sector as a source of philanthropic funding, rather than as a mutual partner for scaled impact. INGOs with a higher dependence on U.S. government funding have little time, resources, or incentives to think beyond the next grant or cooperative agreement. Close donor relationships and a high opportunity cost to pursue alternatives to current grant approaches result in an INGO version of the "innovator's dilemma." How can INGOs stay ahead of the curve to meet the global challenges of tomorrow?

Figure 1: Evolution of the INGO Approach to Impact



## Anticipating the Future through Four Approaches to Impact

Some INGOs are breaking the “innovator’s dilemma” and affirming their missions through four future-oriented approaches (see Figure 1): (1) enhancing direct implementation; (2) influencing systems change; (3) harnessing the private sector; and (4) leading multi-sector action.

The INGO of the future will combine the above approaches to increasingly identify and solve problems through others, and thus separate the notion of greater impact from an expanded physical footprint. These INGOs will transform how they work by:



**Enhancing direct implementation**, already underway, by leveraging technology, informing programs with cost-effectiveness data, and other improvements;



**Influencing systems change** by utilizing all assets and bringing in other players to fill in gaps;



**Harnessing the private sector** through “shared value” that creates jobs, new products addressing critical needs, and prosperity in local communities;



**Leading multisector action**, turning *pro forma* partnerships into rigorous collaborations for complex problem-solving.

## Operational Strengthening: Enabling the INGO of the Future

A systematic review of INGO operations reveals that INGOs are still on a journey to becoming professionalized organizations (see Figure 2). Organizational strength is both indispensable to remain competitive in the face of disruption and enable INGOs to adopt the approaches to impact mentioned in this report.

We see the need for INGOs to both strengthen their operations and transform the way they create impact at the same time.

## A Call to Action for INGOs and Donors

To jointly take on the INGO “innovator’s dilemma,” INGOs and donors should document evidence of impact from new approaches pursued by INGOs, explore ways to incent INGOs to experiment with these approaches, and use existing forums to engage in conversations and identify solutions based on their common objectives.

### Recommendations for INGO Leaders

- To influence systems, INGOs can develop the capacity of country staff to identify systemic solutions and synthesize learning to establish thought leadership positions on complex challenges.
- To harness the private sector, INGOs can develop criteria to guide partnerships, create new messaging for corporate partners, and demonstrate the benefit of shared value to donors.
- To lead multisector action, INGOs can build up the capacity to assist low- and middle-income country governments to coordinate collaborations, explore shared measurement systems, and make the case to donors about the value of collective impact.

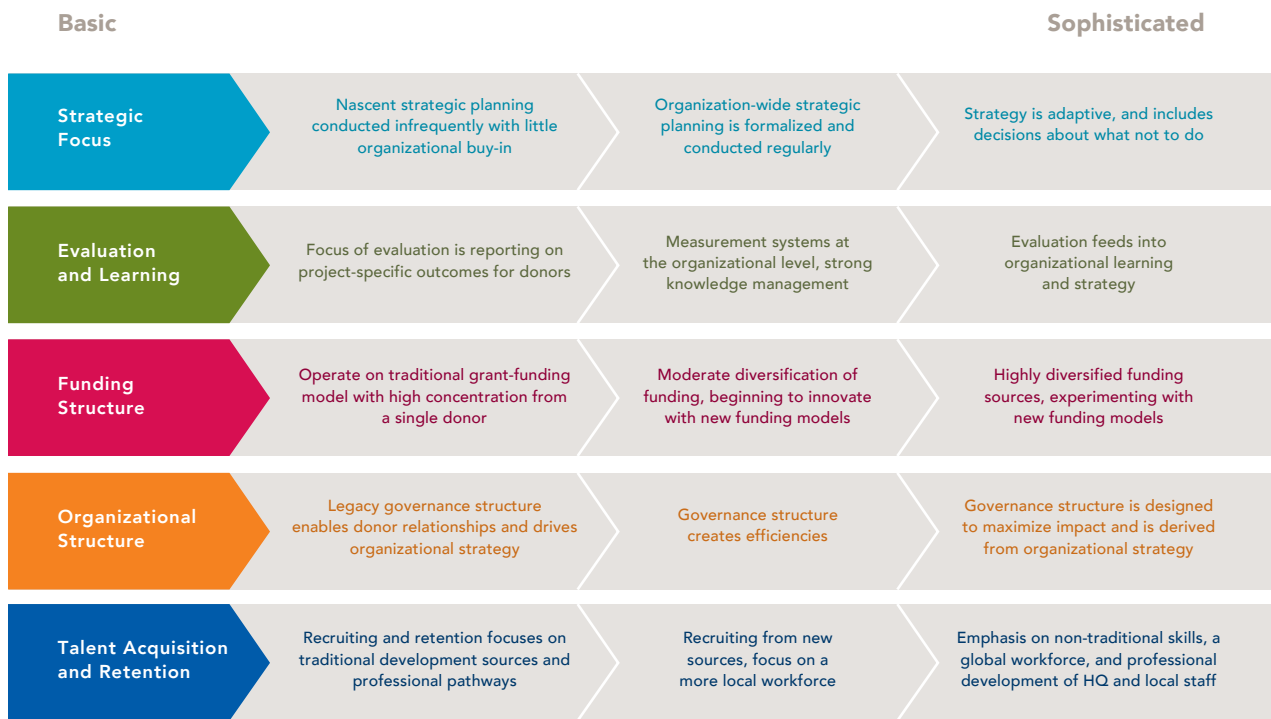
### Recommendations for Donors

- Strike a balance between localization and capitalizing on INGOs’ unique value by supporting local organizations to take on direct implementation while at the same time supporting INGOs to adopt new approaches to impact.
- Conduct regular and systematic analysis of the implications of donor strategy on the “marketplace” of partners.

- › Support field resources to accelerate organizational strengthening.
- › Transform *pro-forma* partnerships into true collaborations by investing in disciplined and sustained approaches that embrace a common agenda, mutually reinforcing activities, and shared measurement systems to address complex global development challenges.

- › Lay the foundation for long-term INGO-business partnerships to leverage the scale and reach of the private sector.

**Figure 2: Spectrum of Sophistication for INGO Operations**



# Introduction

“Some of the routine service activities that INGOs have historically implemented—health care, food delivery—can now be carried out by local operators at a lower cost. The question now is: What do we bring to the picture that others cannot?”

—Carolyn Woo, CEO, Catholic Relief Services<sup>1</sup>

“Disruption is finally impacting the development sector. For me, and others, this does not necessarily threaten our existence. We can raise resources for years. It does, however, impact our relevance and long-term leadership, which we care about deeply as they affect our ability to have impact at scale.”

—Neal Keny-Guyer, CEO, Mercy Corps<sup>2</sup>

A child born in Malawi today faces a tough future in regards to water. Rising temperatures and drought brought on by climate change, intensified use of already-depleted agricultural land, and new industrial uses will not only stress water resources but also food and sanitation systems. Ultimately, solutions providing clean and affordable water in Malawi will be determined by its government, local civil society, and its people.



© Miguel Samper for Mercy Corps

But what is the role of the 20 or more large and well-established international nongovernmental organizations (INGOs) currently registered in Malawi on the future water crisis? Many of these organizations have been operating in Malawi for years. Is there a role for these organizations at all, and if so, how will they use their existing assets to solve problems that affect so many people, involve so many discrete sectors and interests? What will the INGO of the future do differently to tackle the global development agenda in 2030, in Malawi and in dozens of other countries?



Over the last 70 years, INGOs have become key actors in global relief and development. The question for the next 20 years is whether these organizations will continue

to evolve and realize their full potential or risk becoming outdated, failing the people and partners they intended to serve. This report shines light on this time of change and how INGOs can use their assets to speed and scale up solutions in issues such as health, agriculture, education, environment, and livelihoods for people in low- and middle-income countries.<sup>3</sup>



Major disruptions and close donor relationships have resulted in an INGO version of Clayton Christensen’s “innovator’s dilemma.”<sup>4</sup> INGOs, and those with a higher dependence on U.S. government (USG) funding in particular, have little time, resources, or incentives to think beyond the next grant or cooperative agreement. In many cases, donors have helped to perpetuate the very behaviors and practices that prevent INGOs from finding better ways to address development problems.

Forward-looking INGOs can break out of this dilemma and proactively deliver more impact. **Habitat for Humanity International** is changing the way it solves the problem of housing—rather than building more houses itself, it is influencing governments, markets, and communities to create the ecosystem in which the global housing shortage can be solved. Habitat is taking this systems approach not at the insistence of donors, but to accelerate progress toward its mission of a world where everyone has a decent place to live.

The trend toward a more catalytic INGO has been taking place for the last two decades, but the emphasis has favored financial growth, larger staffs, and more offices. The INGO of the future will combine four approaches to increasingly solve problems through others and thus separate the notion of growing impact from an expanded physical footprint:

-  **Enhancing direct implementation**, already underway, by leveraging technology and informing programs with cost-effectiveness data;
-  **Influencing systems change** by utilizing all assets and bringing in other players to fill in gaps;

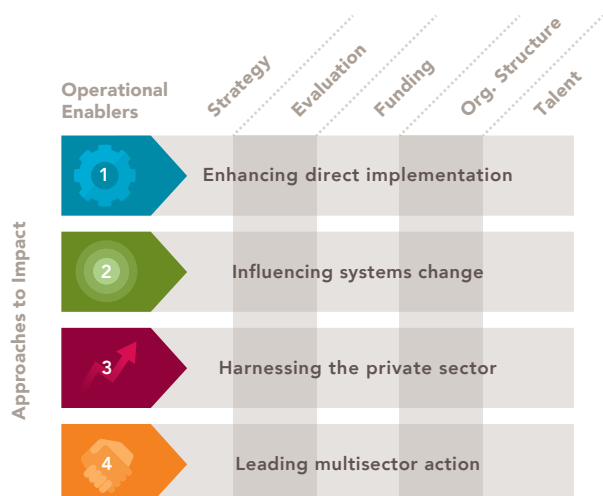
*The INGO of the future will combine four approaches to increasingly solve problems through others and thus separate the notion of growing impact from an expanded physical footprint.*

-  **Harnessing the private sector** through “shared value” that creates jobs, new products addressing critical needs, and prosperity in local communities;
-  **Leading multisector action**, turning *pro forma* partnerships into rigorous collaborations for complex problem-solving.

Some INGOs are moving in these directions, and their stories are shared in this report. For the majority of organizations studied, however, this will not be an easy transition. While new CEOs bring a fresh perspective to some INGOs,<sup>5</sup> there is mixed organizational readiness for understanding disruptions and embracing different ways of conducting their work.

We see the need for INGOs to both strengthen their operations and transform the way they create impact at the same time (see Figure 3). This dual change process will require rigorous review and concerted action by INGOs and donors alike.

**Figure 3: INGOs Need to Both Strengthen Their Operations and Transform How They Create Impact**





## Purpose, Scope, and Methodology

### Purpose

FSG's mission to *discover better ways to solve social problems* involves companies, foundations, governments, and nonprofit organizations. Our work with global leaders in each of these sectors reveals opportunities for improved practices, but too often, organizations lack the tools to take advantage of them. We hope this report unlocks insights for both INGOs and funders regarding greater effectiveness and impact in the future.

### Scope

We narrowed the research scope to those organizations that have enough in common to make comparison meaningful. The organizations that make up the research study set represent the 50 largest U.S.-based INGOs by annual revenue in their most recent publicly available financial statements (all have revenues of USD \$30 million or greater) that receive at least 15 percent of their funds from the USG and less than 30 percent of revenue from in-kind donations. Our respondent group includes 28 organizations that either participated in interviews with us and/or responded to our survey.

Several INGOs mentioned and profiled, such as Oxfam America, Doctors Without Borders/Médecins Sans Frontières (MSF), and Heifer International, do not conform to the study set criteria but are included in this report as a comparison group. Also included in our comparison group are for-profit firms, such as Chemonics and Development Associates International, and larger NGOs based in low- and middle-income countries, such as BRAC. Donors in this study refer to both bilateral government agencies as well as foundations.

For a full list of INGOs in our study set, see Table 1 on the next page. For a listing of all the INGOs in our study set compared across a set of organizational metrics, please visit [www.futureingo.org](http://www.futureingo.org).

### Methodology

From November 2012 through August 2013, FSG conducted primary and secondary research into the INGOs described above, including:

- Desk research comprising comprehensive literature review, including academic books, journal articles, and grey literature; a review of recent surveys on similar topics, including two recently conducted by the Bridgespan Group and McKinsey & Company; and a review of annual reports, evaluations, strategic plans, and internal documents provided by the organizations interviewed.
- In-person or phone interviews with 42 senior representatives of 23 INGOs represented in our study set (including multiple interviews with many); 23 senior representatives of 18 organizations from the comparison group; and 23 field leaders, practitioners, and funders.
- An online survey deployed in February 2013 to our study set with 28 organizations responding (56 percent response rate).

In order to refine our hypotheses and compile recommendations for both INGOs and funders, we conducted four working sessions with senior representatives of leading INGOs and the donor community.

Throughout the research and writing process, we were supported by an advisory group of six academics, practitioners, and donors who reviewed findings and drafts of this report and contributed their time and expertise to our research. See acknowledgments section for a list of the advisory group and the interviewee list for a full list of interviews.

Most likely, we have left out innovations or leading practices from some INGOs as we were unable to speak with all organizations. However, the major findings and themes are representative of the group overall.

**Table 1: INGO Study Set**

ACDI/VOCA*^	Medical Care Development^
Adventist Development and Relief Agency International	Mercy Corps*^
Africare ^	National Democratic Institute (NDI)^
American Refugee Committee International	Pact*^
CARE USA*^	Pan American Development Foundation^
Catholic Relief Services (CRS) *^	PATH*^
Church World Service	Pathfinder International*^
CONCERN Worldwide (USA)	Plan International (USA)*^
Counterpart International^	Project C.U.R.E.^
Education Development Center (EDC)*^	Project Concern International
EngenderHealth*^	Population Services International (PSI)*^
FHI 360*	Relief International
Freedom House	RTI International
Global Communities (formerly CHF International)*^	Save the Children*^
Habitat for Humanity International*	Solidarity Center
International Foundation for Electoral Systems	TechnoServe*
International Medical Corps *^	The Nature Conservancy
International Relief & Development (IRD)	The Population Council*^
International Republican Institute (IRI)	United Methodist Committee on Relief
International Rescue Committee (IRC)*^	US Committee for Refugees & Immigrants^
IntraHealth International Inc.*	Winrock International*^
IREX	World Concern
Jhpiego	World Relief^
JSI Research and Training Institute^	World Vision*^
Management Sciences for Health (MSH)*^	World Wildlife Fund (US) (WWF)*

\* Participated in at least one interview with FSG

^ Responded to FSG survey

The INGOs in the study set collectively account for more than \$11.6 billion in annual revenue, operate in more than 140 countries, and each employ on average nearly 2,000 individuals. Some are well outside these averages: **World Vision USA** alone accounts for more than \$1 billion in annual revenue, and through its global partnership employs 45,000 individuals. The majority of INGOs (17 of 28) surveyed for this report receive at least 60 percent of their funding from the U.S. government. More than three-quarters identified health as a primary

focus area, but few organizations are single-issue focused. The average organization implements projects in six different issue areas as diverse as disaster relief, reproductive health, food security, conservation, and democratic governance.<sup>6</sup> While a third of the organizations in this cohort have been led by the same CEO for 10 or more years (with a handful still led by their founding CEO), a new generation of leadership is taking root. Nearly half of the top leadership has been in place for five years or less, and one in ten for the last year.

# Background

First defined in 1950 as “any international organization that is not founded by an international treaty,”<sup>7</sup> the term INGO covers a range of organizations. The focus of this report is on nonprofit, mission-based organizations involved in international relief and development.

From delivering aid to Germans behind the Berlin wall to scaling programs to eradicate smallpox,<sup>8</sup> INGOs have played a unique and important role in both disaster relief and longer-term social and economic development around the world. INGOs have also been criticized for waste and transgressions, whether “hatching artificial NGOs with few roots in the community,”<sup>9</sup> allowing aid to be used to arm warlords or rebel movements,<sup>10</sup> or under-cutting local producers and negatively affecting local economies.<sup>11</sup>

Several assets differentiate INGOs from other international development actors:

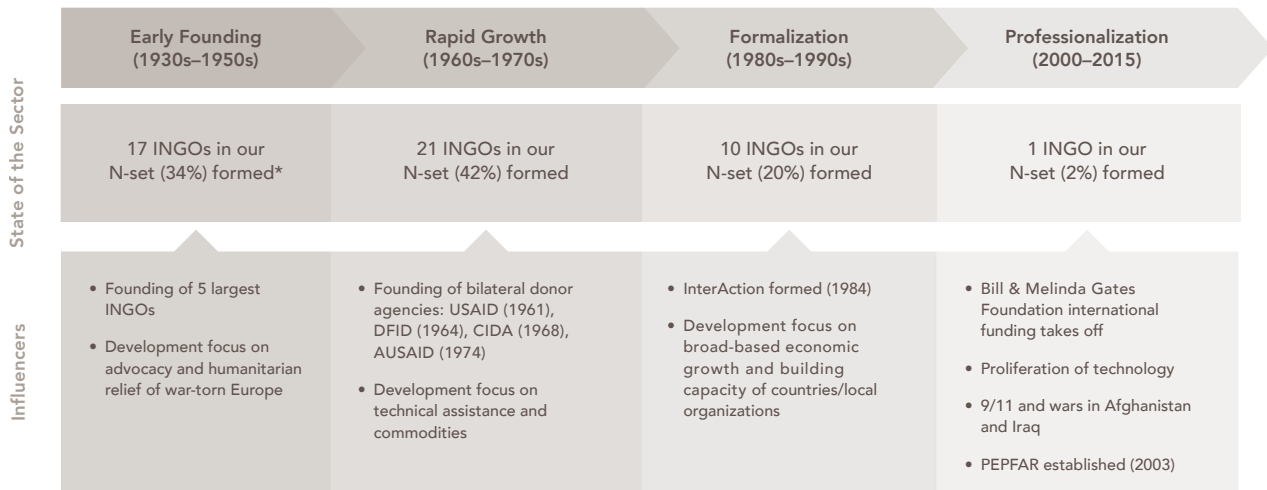
- › **Mission:** As nonprofit organizations, INGOs are mission-driven and thus are accountable to the people they serve. At the same time, INGOs are also accountable to their funders.
- › **Networks:** INGOs are “global networks with feet on the ground.”<sup>12</sup> Many INGOs have a deep local presence in the countries where they operate. At the same time, they maintain a large, global network that theoretically creates efficiencies and scale.
- › **Professional operations:** Their size, financial reporting, and accountability structures allow INGOs to manage large government grants and contracts.
- › **Knowledge:** INGOs possess technical subject-matter expertise in development and humanitarian relief issues that still do not exist in many countries.
- › **Reputation:** Their history and name recognition provide some INGOs with significant political influence, both domestically and abroad. They also provide INGOs the ability to garner public support, both financially and for their causes.

The INGO sector has evolved significantly since its founding era, experiencing four distinct stages of organizational development (see Figure 4), influenced by global trends and milestones.



Vincent L. Long/TechnoServe

**Figure 4: History of the INGO Sector**



\*One INGO in our study set was founded before 1930s

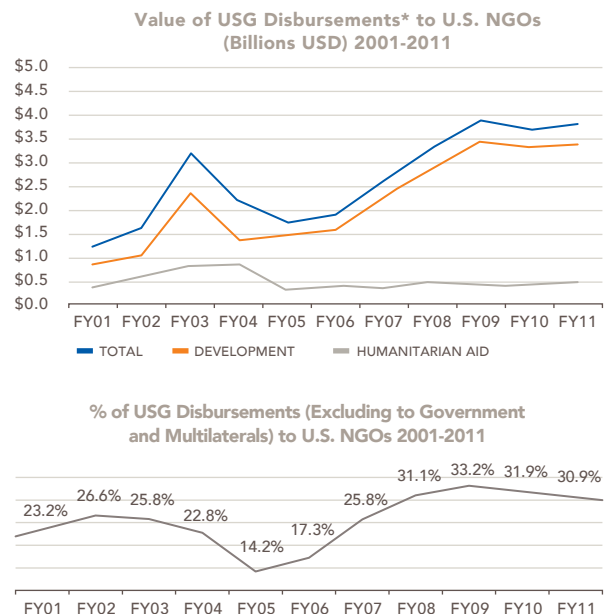
During the recent stage of “professionalization,” INGOs have enjoyed a period of relatively secure funding, particularly from the USG, as the prioritization of global health issues such as HIV treatment and malaria eradication, post-war on terror reconstruction in Iraq and Afghanistan, and workforce development have risen on the development agenda. Since 1990, average annual funding of INGOs registered with the United States Agency for International Development (USAID) has nearly tripled to almost \$50 million.<sup>13</sup> Moreover, USG funding to INGOs is outpacing the overall growth of USG economic assistance, suggesting the sector is still growing.<sup>14</sup> The first-ever U.S. Global Development Policy, announced in September 2010, and the post-2015 development agenda (following the 2015 targets set for the eight Millennium Development Goals), are likely to ensure a continued role for INGOs.

At the same time, this funding is becoming more concentrated in a small group of organizations. Despite an economic recession, revenues for the study set have grown at an average annual rate of 7 percent from 2009 to 2011.<sup>15</sup> Together, these organizations receive more than 99 percent of the \$3.8 billion in USG disbursements to U.S. INGOs (see Figure 5).<sup>16</sup>

While competition among INGOs that conduct similar work can be fierce, the INGO sector has been cast as a convenient “go to” group for donors.<sup>17</sup> A revolving

door often exists between INGOs and donor staff; and long-term, exclusive relationships have inhibited newer, smaller, and local organizations from competing for grants and contracts.<sup>18</sup> INGOs have been sought after for their professionalized operations and sometimes confused with their for-profit, contractor peers.

**Figure 5: Trends in U.S. Government Funding of INGOs**



Source: U.S. Overseas Loans and Grants, Obligations and Loan Authorizations

\*Non-military, foreign assistance

But the rules of the game are changing. The sector faces fundamental disruptions: new, complex global challenges requiring system solutions; the entrance of businesses as key development actors; the empowerment of both individuals and new funders aided by technology; a fragmented funding landscape; and the rise of new players that compete with INGOs for both funding and attention. These changes build on the current set of donor-driven expectations for INGOs concerning greater demand for results, value for money, and more localized staffing.



## New, Complex Global Challenges

While each generation has faced new development challenges, today's development problems cut across issues and geographies.<sup>19</sup> Major epidemiological transitions from infectious to noncommunicable disease; large-scale demographic shifts; and regional water, food, and energy issues—all contribute to the “stress nexus” felt in the developing world and require emergent, system-level approaches.

Climate change is more than an environmental problem alone, and contributes to displacement, migration, massive urbanization, food insecurity, water scarcity, and cross-border conflicts over resources.<sup>20</sup> Climate change is also bringing a greater frequency of natural disasters, requiring INGOs to be prepared for both humanitarian relief efforts and longer-term resiliency support for affected communities.

These challenges have not always been the focus of INGOs in the past, nor are they addressable with technical, project-oriented solutions. More than eighty percent of organizations surveyed for this report believe that global challenges requiring new approaches are one of the most important issues facing their organizations in the coming years.



## Role of Business as a Development Actor

Multinational and local businesses are becoming development actors in their own right as they awaken to the rising power of the emerging-market consumer and the importance of a secure supply chain for high-quality inputs. Donors increasingly recognize the power of the private sector to address development issues as well.

INGOs need to reevaluate their relations with the private sector, engaging businesses as new strategic partners.<sup>21</sup> However, most INGO leaders interviewed still see corporate-funded engagements as simply replacing or augmenting traditional donor-funded projects.



## Empowerment of Individuals

The empowerment of both individuals in low- and middle-income countries setting their own development agenda and growing individual-donor social engagement is displacing the INGO as the primary conduit of development. Since the 1970s, the World Bank and others have emphasized the importance of incorporating the voices of individuals in low- and middle-income countries into the development agenda.<sup>22</sup> Technology is accelerating these trends. Today, almost half of the population in Africa has a mobile phone subscription.<sup>23</sup>

Technology is also enabling the public in developed countries to directly engage with issues and individuals in low- and middle-income countries. E-philanthropy websites such as Crowdfunder, Causes, Give Directly, and Kickstarter are changing traditional philanthropy and becoming particularly popular with a younger generation of philanthropists who seek more direct engagement platforms.



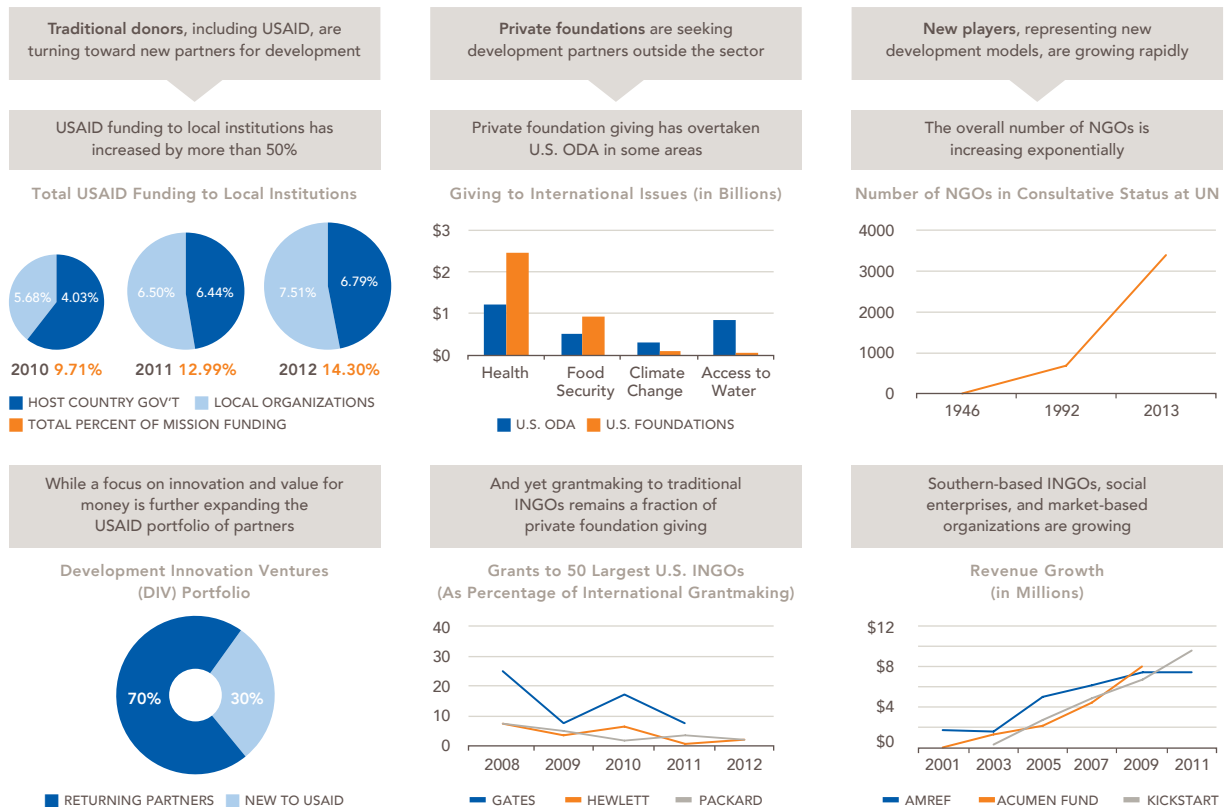
## Increasingly Fragmented Funding Landscape

Global development funding is beginning to fragment, a shift top-of-mind for most INGOs. Overall aid funding from traditional donors, such as USAID and the United Kingdom's Department for International Development (DFID), is expected to decline,<sup>24</sup> while funding to non-INGO partners from these donors are on the rise (see Figure 6). Although the number of charities is increasing, overall U.S. charitable giving remains relatively flat.<sup>25,26</sup> In macro terms, the explosion in private investment and remittances dwarfs funding from bilateral donors and private foundations, which are growing at a much slower rate.<sup>27</sup>

At the same time, Brazil, Russia, India, and China are transitioning from aid recipients to aid donors.<sup>28</sup> Estimates of development assistance distributed by these four countries range from \$11 billion to \$41.7 billion per year. This is still less than a third of the assistance provided by the Organisation for Economic Co-operation and Development (OECD) countries, but is expected to grow significantly in the coming decade.<sup>29</sup>

For INGOs, these funding shifts mean rethinking how they raise revenues. More than eighty percent of INGOs surveyed are seeking to diversify their sources of funding,<sup>30</sup> and yet the majority of these INGOs remain highly dependent on USG funding. Only a handful of INGOs in our respondent group receive grants from non-U.S. governments, with emerging market economies representing less than half a percent of their overall non-U.S. government funding.<sup>31</sup>

Figure 6: Changing Funding Trends Affecting INGOs





## Competition from New Players

Lastly, new players, including local NGOs, Southern INGOs, and social enterprises, are entering the traditional development space, challenging the hegemony of traditional INGOs and at the same time presenting new partnership opportunities. In 2010, USAID, the largest government funder of U.S. INGOs, launched the USAID Forward agenda, which represents a critical shift in the agency's philosophy around administering aid, including relying less heavily on established INGOs in favor of local governments, companies, newer Western-based INGOs, and indigenous NGOs. More than 70 percent of the companies awarded Development Innovation Ventures funding are new to USAID.<sup>32</sup> INGOs are also receiving a smaller portion of funding from DFID as funding of new organizations outpaces funding of traditional INGOs<sup>33</sup> (see Figure 6).

Social enterprises are using new technology-driven funding models to combat persistent development challenges. The organization charity: water has reportedly raised \$100 million since its founding only seven years ago,<sup>34</sup> rapidly becoming a competitor to **World Vision**, one of the leaders in water access programming.<sup>35</sup> Local NGOs, such as the Pratham Education Foundation in India, are competing for funding from traditional donors and opening up new possibilities for partnership.

INGOs have faced tough times in the past. They have been challenged by capricious funders, development fads, and questions about their relevance from development pundits. However, INGO leaders interviewed for this report consistently stated that the present set of disruptions are different and present real threats to them. A future in which local organizations and for-profit social ventures

truly compete with INGOs for development funding, which is increasingly scarce and disbursed; multinational companies become even greater players in development; and issues such as climate change compel system-level interventions beyond geographic boundaries should serve as a wake-up call for INGO leaders.

But these leaders are challenged to get ahead of these major shifts. Diverting attention from current Requests for Proposal (RFP) and projects to investigate new ideas that position these organizations to address today's disruptions presents a high opportunity cost to INGOs. As one CEO remarked, "Many INGOs operate under a cost recovery model that for years has served us well, but that rewards massive scale and 'boots on the ground.' We must change. And yet, that same cost-recovery model provides pressure on overheads, leaving us no margins for investing in the new approaches needed."<sup>36</sup> Seventy percent of INGO leaders surveyed in a recent study cited insufficient indirect cost recovery from donors as one of their major challenges.<sup>37</sup>

Some INGOs are breaking the "innovator's dilemma" and offer a glimpse of the future. INGOs such as **PATH**, **Habitat for Humanity**, and **World Wildlife Fund** are moving beyond the one-off, isolated, pilot, and implementation orientation that has dominated the sector. While not dismissing direct service delivery, they are proactively adopting a set of catalytic approaches that take advantage of their mission orientation, international learning networks, on-the-ground presence, acquired knowledge, and global reputation. While there is no crystal ball, these approaches have the potential to address more complex problems, embrace the rise of the private sector, attract new funding, and position INGOs as distinct and valuable development actors.

# Anticipating the Future Through Four Approaches to Impact

Building on its decades of direct experience working with small farmers in places like Ethiopia, Haiti, and Mexico, **TechnoServe** is linking these farmers with the private sector in a way that benefits both the farmers and the purchasing companies. Without donor pressure, TechnoServe and the other INGOs profiled in this section are adopting four approaches to impact that anticipate coming disruptions and capitalize on their assets (see Figure 7).

These approaches are not new to the social sector, but for INGOs, they represent different motivations, behaviors, and investment from the past. For example, INGOs have been working with the private sector for years but partnerships with companies that focus on impact rather than fundraising are uncommon. Likewise, collaborations are rife in the sector but those that are multisectoral, governed by a common agenda, divide the labor, and are measured rigorously, are rare.

While results from these approaches are nascent, the opportunity for impact is significant. The African Health Markets for Equity (AHME) initiative’s early successes in health care provider enrollment and TechnoServe’s ability to raise the incomes of tens of thousands of farmers using corporate value chains represent promising evidence of impact.

The approaches are also not appropriate in all circumstances. The specific choices of an INGO will vary depending on issue and geography, and will change over time. In conflict-prone states, it may not be possible to engage with the private sector or advocate for multisectoral systemic change in an effective manner.

These new ways of creating impact may unlock new funding sources, organizational structures, and business models. Similarly, they will require new staff skills, new messaging about a different set of offerings, and new ways of measuring progress.

**Figure 7: Evolution of the INGO Approach to Impact**





However, as the following examples show, there is an opportunity for INGOs to evolve their work and upgrade conventional implementation, advocacy, engagement with business, and partnership approaches to take on the development challenges of the future.



## Enhancing Direct Implementation

INGOs' implementation focus is the source of their expertise. Particularly in places where governments lack the capacity or political will to provide for their citizens, where the market has failed, where local civil society is particularly weak, INGOs will continue to play a crucial role delivering goods or services or building capacity of civil society and the public sector. Without this direct contact, INGOs could lose precious learning that would enable them to influence systems, partner with the private sector, or lead multisector action. Implementation is also important in ensuring INGOs remain accountable to the individuals they serve.

However, INGOs recognize a diminishment in the decades-long comparative advantage they have held as implementers. In just one representative example, the Ayala Foundation, a Philippine NGO, is working with USAID to build the organizational and project management capacity of 120 local organizations, a role traditionally played by INGOs.<sup>38</sup> In Guatemala, two local, highly technical organizations—the Guatemalan Exporters Association and the National Coffee Association—serve as the implementing partners for USAID's Feed the Future program.<sup>39</sup> A notable exception to this trend is the continued direct role of INGOs in humanitarian crises, whether providing food aid in Darfur or assisting countries after natural disasters.

The changes already underway by INGOs to their direct implementation work, described below, offer opportunities to strengthen humanitarian response as well as development interventions.

Technology can reduce costs of program delivery, speed up learning and sharing of knowledge, provide a platform to incorporate the voices of individuals, and improve transparency. For example, the **American Medical and Research Foundation (AMREF)**, in partnership with Accenture, Kenya's Ministry of Health, the Nursing Council of Kenya, and several other organizations, created an e-learning program that as of 2012 has graduated 7,000 Kenyans. The successful deployment of this technology platform allowed AMREF to increase access to training by a staggering 1,400 percent, which is unimaginable by conventional methods.<sup>40</sup> Technology is also critical in ensuring effective disaster response efforts by INGOs. **Catholic Relief Services** used geo-hazard mapping during the 2010 earthquake in Haiti to map out destroyed homes, track the construction of transitional structures, and calculate piles of rubble.<sup>41</sup>

INGOs are also informing programs with cost-effectiveness data. As part of its strategy of scaling up for greater impact, **Heifer International** is moving from a large portfolio of smaller-scale, geographically scattered projects in more than 40 countries to a smaller footprint in 32 countries with fewer, but exponentially larger, higher-impact projects. The economies of scale in this transition reduce Heifer's cost-per-family intervention from \$800 to \$200.<sup>42</sup>

In the future, INGOs will continue to enhance their implementation activities and may experiment with more "demand-based" capacity-building. Most of the INGOs in the respondent group conduct capacity building, typically driven by donor priorities as specified in grants. Going forward, local organizations themselves (low- and middle-income country governments, NGOs, and grassroots organizations) may seek advice from INGOs. While INGOs are not set up to be consulting firms, such advisory services could allow INGOs to leverage their knowledge, network, and reputations to scale their ideas and expertise.

*INGOs that influence systems are entrepreneurial: they proactively set goals and targets, conduct systems mapping, and utilize all assets to bring in others to fill gaps.*



## Influencing Systems Change

The direct implementation work carried out by INGOs has traditionally taken a project-specific approach. Over the years, the majority have supplemented their project work with advocacy. These efforts are growing in importance for INGOs, with some even having changed their missions to include advocacy.<sup>43,44</sup>

However, today's complex global challenges and the presence of numerous development partners are quickly rendering this project-based, advocacy approach obsolete. For example, traditional child protection approaches by donors and INGOs have focused on single issues, such as child trafficking or child labor. By not addressing the full system, this diffused approach has led to a fragmented response, inefficiencies, and the persistence of unmet needs.<sup>45</sup> Advocacy efforts conducted as part of projects are limited by both their narrow focus and the funding duration of the project.

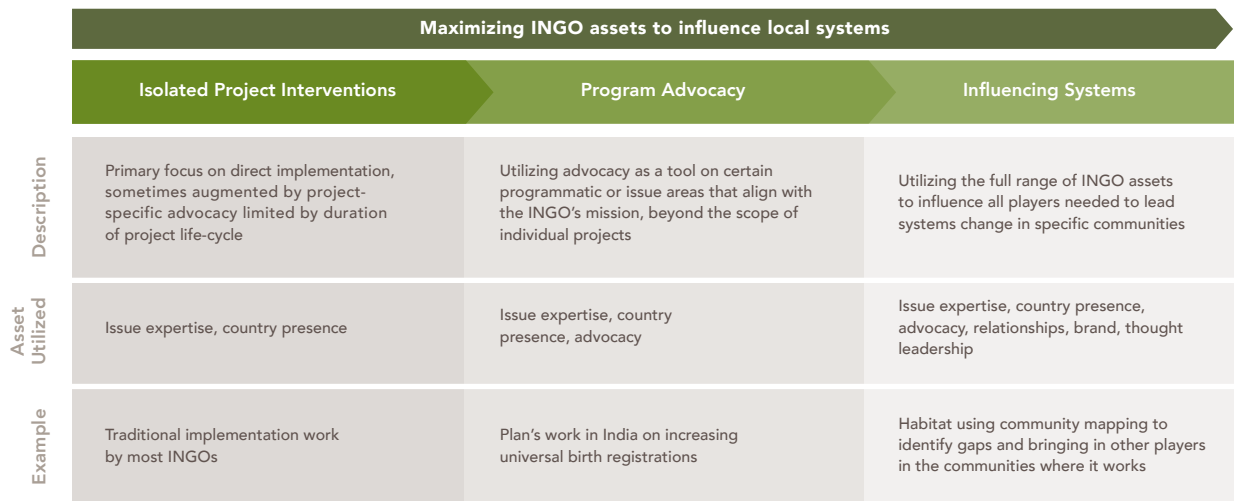
To increase impact at the local level, some INGOs are expanding the reach of their advocacy efforts beyond the scope of specific projects. Since 2005, **Plan India** has led a campaign to increase universal birth registration by advocating for policy changes, building community awareness, and sustained media outreach.<sup>46</sup> Plan India's campaign builds on the assumption that a range of services, such as education

and health care, are inaccessible to children without birth registrations. By taking a broader approach that goes beyond the narrow scope of individual projects, Plan India aims to create deeper and longer-lasting impact on child welfare. However, this form of "program advocacy" still does not always leverage INGOs' full set of assets (see Figure 8).

INGOs that seek to influence systems take a highly entrepreneurial approach to problem solving: they proactively set goals and targets, conduct systems mapping and gap analysis, and utilize all assets to bring in other organizations to fill those gaps. This new way of working represents an emerging trend among donors, policymakers, and practitioners.<sup>47</sup>

**PATH's** global-level systems approach allows it to address all parts of the product development value chain and identify both its own role as well as new stakeholders who need to be brought in. Through PATH's extensive experience in product development, the organization identified a "missing middle" in the value chain of products and technologies to address global health challenges. Current funding is largely concentrated on the upstream research and development, and downstream adoption of products. PATH explored the role of different sectors and the optimal interplay among them, and identified a critical role for the INGO to act as a "bridging agent" between the sectors. To ensure that the full product lifecycle—from development to distribution—is addressed, PATH focuses on the regulatory, procurement, and distribution issues that create an enabling environment for bringing technology and social innovations to scale.

Figure 8: Utilization of INGO Assets to Influence Local Systems Change



In a powerful example of systems influence at the local level, **Habitat for Humanity** is moving from a traditional project-based approach to one that takes full advantage of its assets to influence systems change. In the communities where it works, Habitat uses its relationships, network, and brand to affect not just housing, but the entire ecosystem, including education and sanitation (see case study). Habitat's systems approach

allows for coordinated action and comprehensive solutions for its communities, without needing to take on all the work itself. Habitat complements its unique community-level approach with national level advocacy efforts to change policy and programs that empower individuals to act as volunteers and help Habitat achieve greater impact.

### Influencing through Thought Leadership

At the global level, INGOs have had a long history of influencing policy and mindset. The Jubilee 2000 campaign, which mobilized 24 million people worldwide and included several INGOs, resulted in the canceling of \$100 billion in debts of low-income countries. Save the Children's thought leadership to define measurable goals for the post-2015 development agenda, World Vision's anti-trafficking campaigns and CARE USA's advocacy to protect and grow the U.S. foreign assistance budget provide other examples of advocacy on a global scale. Oxfam America is an INGO that influences policymakers, funders, companies, and partners through thought leadership. The organization's in-house intellectual capacity rivals that of global think tanks.

We see an opportunity for all INGOs—regardless whether advocacy is a formal approach for an organization—to capture and disseminate their learnings to advance better ways of solving development challenges. Such thought leadership is distinctly different from organizational marketing. Among the respondent group less than a third share formal impact reports on their websites, and very few had published policy briefs to influence governments, donors, or other partners. Rather than react to donors' strategies, INGOs in the study have the potential to influence donor and partners through intentional thought leadership.

# Habitat for Humanity: From Hammers to Influencing Affordable Housing Systems<sup>48</sup>



Photos courtesy of Habitat for Humanity

The idea for Habitat for Humanity was born in a small, Christian community in rural Georgia in 1968 to provide an opportunity for those in need of shelter. Habitat launched its model of building houses internationally in Zaire (current Democratic Republic of Congo) in 1973. Today, Habitat operates in more than 70 countries with annual revenues of \$300 million.

By the mid-2000s, Habitat's direct service work had reached an enormous scale but still could not keep up with the growing demand for decent housing. Habitat saw the potential of advocacy to bridge the gap between its offerings and the need for affordable housing solutions worldwide. In its strategic plan launched in 2005, the organization made a commitment to become a catalyst for worldwide housing needs.

Habitat's 2014–2018 strategic plan cements its role as a systems player by defining impact along three levels: community, sector, and society. The first continues Habitat's traditional implementation efforts, while the second and third commit the organization to act through markets, policies, and volunteers.

While too early to demonstrate impact, Habitat South Africa's 2013–2015 strategic plan has set impressive targets of delivering new homes in partnership with 3,000 low-income households, creating fair, equitable low-cost housing opportunities for 50,000 people through advocacy, and mobilizing 35,000 people around the cause of affordable shelter. Once targets are selected, country offices conduct their own systems mapping to identify the right partners. In South Africa, Habitat engages in "community scoping," where Habitat facilitators equip community leaders to identify needs and map additional partners required to facilitate sustainable change. This allows Habitat to quickly align the needs of the community with the availability of resources.

Based on its detailed understanding of the housing system, Habitat has been highly entrepreneurial in devising solutions to fill in gaps. For example, the organization has created a \$100 million wholesale microfinance fund to provide construction technical assistance and training to extend home improvement loans. The fund was created from both equity and debt capital from donors such as Overseas Private Investment Corporation. The goal is to establish a market for home improvement lending in middle income markets.

Organizations that seek to create change through systems influence recognize that size does not equal impact. Expanding beyond its traditional model, Habitat has been able to focus its work where it is most needed, streamlining the number of countries it operates in from more than 100 to 70.

INGOs possess distinct assets—issue expertise, networks, relationships, and reputation—that can propel them to become much stronger influencers of local health, education, housing, water, and health systems. The influence INGOs can exert to bring individuals, civil society, governments, and donors to the table is unmatched, and continues to be underutilized.

### Key Considerations:

- Taking a systems lens requires a more comprehensive approach to scoping projects, taking into account community needs, feasibility and costs, prospects for market sustainability, and the policy environment. Staff may take on ever-changing, analytical tasks more proximate to consulting firms. For example, **PATH** colleagues investigate the full spectrum of activities and players that are needed to bring health products to market and leverages market forces and partnerships to address regulatory, procurement, and distribution solutions while products are still in development.
- The influencer role may call for more unrestricted funding and a different way of measuring results. Traditional evaluation approaches may not be

practical for this type of work. Rather, INGOs may need to investigate “developmental evaluation” approaches that capture feedback frequently to allow for more immediate course correction.<sup>49</sup>

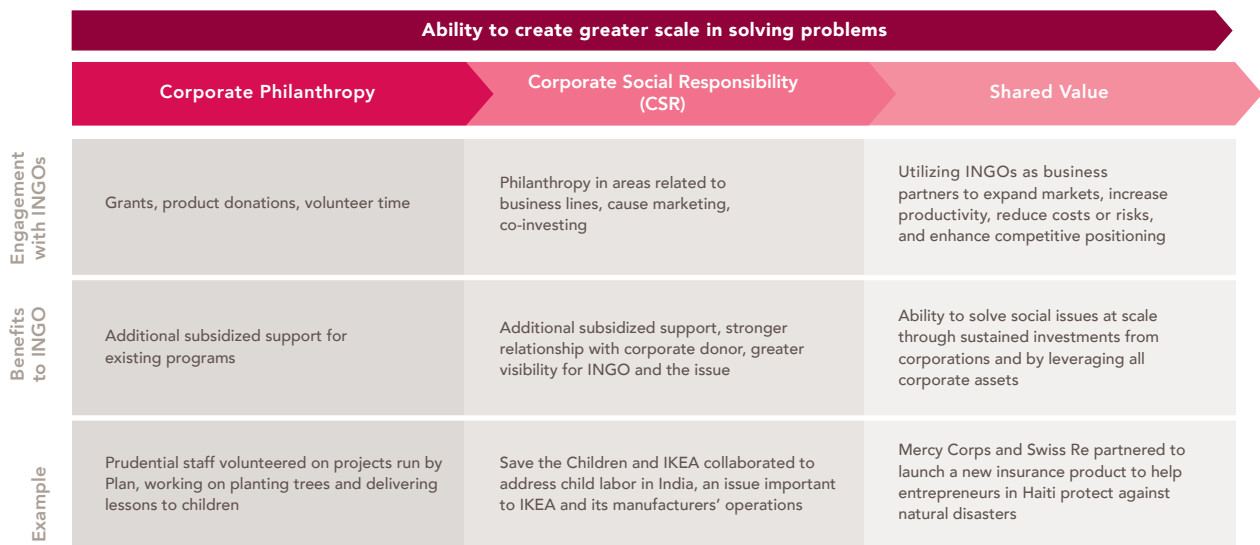


## Harnessing the Private Sector

To date, INGOs have largely looked to the private sector for funding rather than impact, and skeptically, without concern for what these relationships can offer to businesses. Less than a third of INGOs surveyed engage companies on initiatives core to their business.<sup>50</sup> Likewise, businesses have generally viewed INGOs as “do-gooder” grantees or brands to exploit for public relations purposes. While donors applaud corporate partnerships (USAID has been part of more than 1,600 partnerships), many of these are motivated by corporate matched funding.<sup>51</sup>

A new approach emerging among corporations—“shared value”—holds the potential for INGOs to achieve their mission, capitalizing on companies’ efficiency, networks, scale, and resources. Shared value<sup>52</sup>

Figure 9: The Evolving Corporate-INGO Partnership



is distinct from corporate philanthropy and corporate social responsibility (see Figure 9). Historically, companies like Eli Lilly and Company have addressed issues of poor health in developing countries through charity and donations. As the commercial relevance of low- and middle-income countries has increased, leading companies have begun to incorporate social issues into their core business strategies.<sup>53</sup> Lilly, for example, partnered with Public Health Foundation of India, several municipal governments, and **Population Services International (PSI)** to reach more diabetic patients with its insulin products. Increasingly, companies like Lilly are looking for partners to help them meet the needs of low-income consumers or increase productivity of their input suppliers. When it makes sense for INGOs to align their missions with these companies, INGOs can become powerful partners in helping the people and environment in places where companies sell their products, procure materials, or employ staff.

Opportunities for INGOs to create shared value with companies exist across many social needs, from health to economic development. Some areas have significant activity, such as agriculture, while education is still a nascent opportunity. **PATH**, for example, partnered with medical device company Becton Dickinson to develop the one-use Uniject syringe.<sup>54</sup> **The World Wildlife Fund** has partnered with Wal-Mart on a number of supply chain issues to ensure that high-demand products such as timber and seafood are sourced more sustainably. **TechnoServe** is working with Nestlé and Coca Cola, helping them improve the quality and quantity of key agricultural inputs (see case study).

## Harnessing the Private Sector through Social Enterprise

Over the last two decades, several INGOs have launched their own social enterprises, allowing them to both earn revenue and create impact in new ways by harnessing the market. In our respondent group, **World Vision**, **PSI**, **Save the Children**, **CARE USA**, **Mercy Corps**, **Global Communities** (formerly CHF International), **World Relief**, and the **U.S. Committee for Refugees and Immigrants** reported using social enterprises as a way of earning additional revenue. Other INGOs, such as **Pact**, are well-known for managing microfinance operations.

**CARE USA** is taking the approach of social entrepreneurship beyond the development of just one or two ventures. A subsidiary of CARE USA, CARE Enterprises, Inc., seeks to create “lasting market-based solutions to poverty” by incubating promising social enterprise business models that emerge from CARE USA programs. CARE Enterprises’ flagship investment is the JITA program in Bangladesh. Begun as a CARE USA program empowering marginalized women to engage in sales of consumer goods door-to-door across rural Bangladesh, it is now a unique rural distribution system of more than 4,000 women and 130 local hubs, connecting companies like Danone and Unilever to underserved communities.

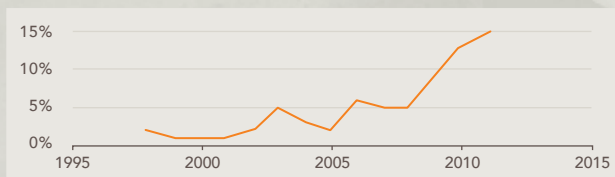
Social enterprises allow INGOs to expand their reach through harnessing the market. However, these new ventures are nascent and limited in their scale.

# TechnoServe: Connecting Farmers to Corporations for Sustainable Incomes<sup>55</sup>

Founded in 1968, TechnoServe's mission is to work with enterprising people in the developing world to build competitive farms, businesses, and industries.

Corporate partnerships have always been part of TechnoServe's approach. Until about 10 years ago, however, the organization's corporate partnerships were dominated by small projects coming from corporate foundation or charitable-giving offices (see Figure 10). "The main reasons to engage in shared value partnerships," explains CEO Bruce McNamer, "are the sustainability and scalability these programs offer."

**Figure 10: TechnoServe's corporate revenues as a share of total revenues**



Through the Project Nurture Program in Kenya and Uganda, TechnoServe partnered with Coca Cola to work with over 48,000 mango and passion fruit farmers in 2011. Those that adopted TechnoServe's practices together generated \$5.36 million in incremental revenues.<sup>56</sup> In one of its newest projects, TechnoServe is working with Nespresso in Ethiopia, Kenya, and South Sudan to provide assistance to smallholder farmers as part of Nespresso's goal of sourcing more coffee from the region. TechnoServe can help create sustainable income for these farmers and their families by connecting them to Nespresso's supply chain. Nespresso, in turn, benefits from a more sustainable source of coffee.

Unlike traditional corporate-INGO partnerships, which often utilize donations or cause marketing, the entry point for TechnoServe's shared value partnerships is typically at the business units of the corporate partners. In identifying shared value opportunities, TechnoServe stays loyal to its goals and expertise instead of chasing after funding. "There are many companies we will not engage, because our missions do not align. For example, there are lots of opportunities and there is a stronger understanding of shared value in the pharmaceutical industry, but they're not a focus for us, because health is not part of our expertise," says McNamer.

TechnoServe has recently formed a new department, called Strategic Initiatives, to lead its shared value work. The department includes four full-time employees, with their time split between business development and project implementation. To share its lessons, TechnoServe is currently developing a set of operating procedures on staffing, billing, governance, and procurement specific to shared value partnerships, which it hopes to share with other INGOs interested in this approach.

The ultimate goal of these shared value partnerships is to catalyze economic activity that is sustainable beyond the life of an individual project, creating lasting benefits for both corporations and poor communities. Says McNamer, "The typical development project cycle is three to five years. But in the shared value context, because the market drives the project, there is no sunset."

INGO assets are highly relevant to this new approach in working with the private sector. Deep subject-matter expertise makes INGOs a critical partner for the private sector as it thinks about entering new, unfamiliar “base of the pyramid” markets or designing products and services appropriate for previously excluded populations. INGOs’ local knowledge and networks enable them to effectively carry out the work in low- and middle-income countries. Lastly, INGOs can bring in co-investors, such as public and private funders, to bridge “market failures.” Businesses alone often do not have the skill or credibility to bring these actors to the table.

#### Key Considerations:

- › There will never be a market solution for all societal challenges in all geographies for all populations. In some cases, opportunities for shared value partnerships may not exist—such as in disaster relief or post-conflict contexts. Corporate philanthropy, product, and in-kind donations will continue to play a role in responding to natural or humanitarian crises.
- › While shared value partnership opportunities are significant, INGOs also have a role to play in ensuring continued accountability of the private sector, as **Oxfam** and **MSF** have demonstrated.
- › INGOs will need to grapple with the possibility that the funding for shared value activities could be much smaller than conventional, USAID-like cooperative agreements. But the opportunity cost of smaller revenue comes in the form of greater scale otherwise not achievable through traditional subsidized models. In the future, INGOs could also benefit from a corporate partner’s financial upside, tying success of projects to new revenues or cost savings.
- › INGOs are learning how to engage on shared value partnerships, shifting the focus from fund-raising to program impact. Today, relationships with businesses are often owned by INGO staff

with “resource development” or “corporate partnership” in their titles. Some INGOs are shifting the ownership of shared value partnerships to new “strategic initiative” or innovation departments, as **TechnoServe** has done. “Ring-fencing” shared value projects can help address the opportunity cost of these efforts.



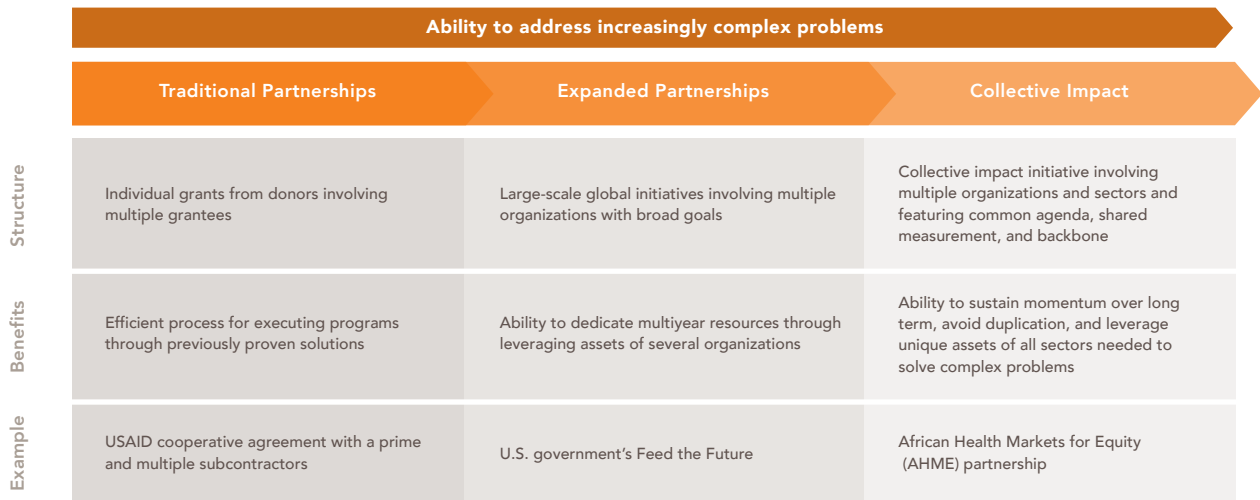
### Leading Multisector Action

The development sector is keenly aware that no single organization can create large-scale, sustainable social change. Yet, as the authors of *Going Global* argue, the “partnership” moniker is used loosely in the sector, encompassing anything from “full-scale reciprocity in critical decision-making” to little more than subcontracting relationships.<sup>57</sup> This broad spectrum of partnership approaches (see Figure 11) offers INGOs the opportunity to move away from traditional models of “isolated impact” to those that are more systematic and participatory in nature, allowing for greater impact by taking advantage of the unique assets of each partner.

In spite of the need for collaborations that can take on complex challenges, such as noncommunicable diseases and climate change, INGO leaders noted that the majority of current partnerships are designed primarily as funding mechanisms. The typical donor-grantee model with multiple subgrantees is no longer sufficient to address challenges that require not just participation but active buy-in from multiple sectors. The prime-subcontract partnerships practiced by USAID, which represent nearly a quarter (22 percent) of USAID disbursements to INGOs,<sup>58</sup> lack the hallmarks of effective collaboration, such as joint goal development or shared measurement. “These arrangements do not provide ample opportunities for us to achieve the scale of impact needed, develop sustainable solutions by bringing in multiple sectors, or align the activities to take advantage of the unique assets of partners because of their top-down, donor-driven



Figure 11: The INGO Partnership Spectrum



nature,” comments a senior USAID official. Added an INGO leader: “USAID cooperative agreements often force us to work in silos rather than taking a systems approach. We can treat the pregnant woman who is HIV-infected, but not her partner or her children, or address other needs she has, such as employment.”<sup>59</sup>

Aware of the limitations of the traditional partnership model, many donors are exploring and investing in more systematic, multisectoral partnerships. Large-scale global initiatives, such as Feed the Future, launched in 2009 as a \$3.5 billion Presidential Initiative, represent a new type of arrangement. Feed the Future involves multiple USG agencies, including USAID (which provides \$1.1 billion a year), partner-country governments, and INGOs to go beyond individual projects to address the root causes of hunger and chronic food insecurity. Feed the Future has developed a common goal to reduce the prevalence of poverty and the prevalence of stunted children under five by 20 percent by 2017. The initiative reports annually on nine common indicators across its efforts to ensure accountability.<sup>60</sup> More participatory than traditional models, many of these expanded partnerships are still nascent but hold promise for accelerating impact.

On the other side of the spectrum, a new model is emerging to address complex social problems at scale by incorporating a unique combination of partnership

components that focus on impact. These “collective impact” arrangements provide a level of discipline, mutual accountability, and longevity that most existing models lack. Collective impact partnerships are distinguished from other partnerships through five key conditions: a common agenda, shared measurement systems, mutually reinforcing activities, continuous communication, and a backbone organization.<sup>61</sup>

Our analysis of current partnerships in the sector reveals the need for this new approach to collaboration. A review of a \$50 million traditional donor-initiated partnership between three INGOs to support civil society in Sudan, for example, revealed that beyond responding to the same request for proposal, the partners had no common definition of the problem to be addressed, no defined metrics for joint success of the initiative, and often carried out nearly identical activities in overlapping geographies. The lack of a shared measurement system led to individual reporting on 46 disparate indicators, with partners jointly tracking only the number of individuals and institutions they collectively trained. Communication, beyond ad hoc interaction in the field, was limited to quarterly submission of progress reports from the subcontracting organizations to the prime recipient.

In contrast, the Global Alliance for Improved Nutrition (GAIN) is an example of a structured partnership that goes beyond a funding agreement. GAIN focuses on nutrition, once addressed through direct service delivery, but increasingly understood to require a systems-level, multisector, collaborative approach. INGO partners in the collaboration include **PATH**, Helen Keller, and BRAC. GAIN was launched in 2002 by developing a common agenda to align partners around the goal of converting political momentum into specific policy changes. The Alliance uses a comprehensive performance management framework based on 17 standardized indicators that allow it to compare impact across its portfolio. The partnership's mutually-reinforcing activities ensure division of labor between business, INGOs, and local organizations to focus on private sector investment, capacity building, and policy change, respectively. To manage the entire partnership, the GAIN board works through the Secretariat and a Partnership Council to coordinate program management and delivery, innovation and technical services, advocacy, and business development. As of 2012, 667 million individuals were consuming more nutritious food as part of GAIN programs resulting in a 20 to 30 percent reduction in the prevalence of micronutrient deficiencies.<sup>62</sup>

The AHME collaboration provides an example of an emerging collective impact partnership. **Marie Stopes International (MSI)** and seven other organizations are involved in this new form of partnership marked by a common goal, funding flexibility, a division of labor, and shared measurement. In just its first five months of operations, the initiative has already exceeded its provider enrollment targets in all four countries.

INGOs have incredible collaboration muscle, both in terms of the types of people they hire and their track record with partnerships. More results-driven partnerships represent an underexploited tool for the INGO of the future.

*Despite the need for collaborations that can take on complex issues, INGO leaders noted that most partnerships are designed primarily as funding mechanisms.*

#### Key Considerations:

- Multisectoral collaboration requires greater investment of time by all partners and is not appropriate in all situations. They are especially valuable when INGOs are looking to address geographically bounded societal issues that involve several sectors (i.e., private sector, government, academia, and civil society) and are addressing issues with urgency for change.
- Rigorous collaboration requires new skills and habits. To act as backbone organizations, INGOs should be perceived as neutral actors, which may not be the case if the INGO is implementing its own interventions. Facilitation and data analysis are also skills required of successful backbone organizations.
- For partnerships that present global and local level collaboration opportunities, INGOs can leverage their presence and networks at multiple geographic levels. The Coral Triangle Global Initiative of the **World Wildlife Foundation (WWF)**, for example, takes advantage of the INGO's global secretariat and regional and national offices to coordinate partners.
- INGOs have collaborated to create sector-wide change through membership organizations, such as InterAction, the Confederation for Cooperation of Relief and Development NGOs (CONCORD), and the CSO Partnership for Development Effectiveness (CPDE). These serve as effective platforms for global campaigns and improving INGO performance. INGOs can build on existing momentum, such as InterAction's work on aggregating INGO funding on specific issues, to launch new partnerships that align their work to a common agenda.

# African Health Markets for Equity Collaborative: Emerging Form of Collective Impact<sup>63</sup>



Photos courtesy of AHME

In 2009, the Bill & Melinda Gates Foundation sought to take social franchising, an emerging area in global health, to scale. The foundation recognized that no single organization had all the competencies necessary to implement the kind of complex, multifaceted initiative they envisioned. Rather than issue a standard RFP, the foundation identified a handful of organizations, each with a specific niche in the health delivery and policy arena, and approached them directly.

The AHME partnership—launched in Nigeria, Kenya, and Ghana in 2012 and funded through a \$60 million, five-year joint investment by the Gates Foundation and DFID—includes six organizations (MSI, PSI, Society for Family Health, Grameen Foundation, International Finance Corporation, and PharmAccess).

Each partner is committed to a common goal: increase coverage of quality care within the private provider system and address priority health issues that most affect the poor, such as reproductive health, malaria, acute respiratory infections, diarrhea, nutrition, maternal care, HIV, and TB. Partners use their respective strengths, networks, and existing projects when conducting simultaneous and coordinated work

in policy reform, health communication, strengthening patients' ability to pay, and improving provider access to capital.

Building on these goals, the partnership has agreed to a shared measurement system, including a single logical framework and accompanying set of metrics to track program outcomes. All partners agreed on the reporting frameworks in advance and report on their results every quarter. Over five years, the program expects to include nearly 3,000 provider outlets and avert 2.9 million DALYs.

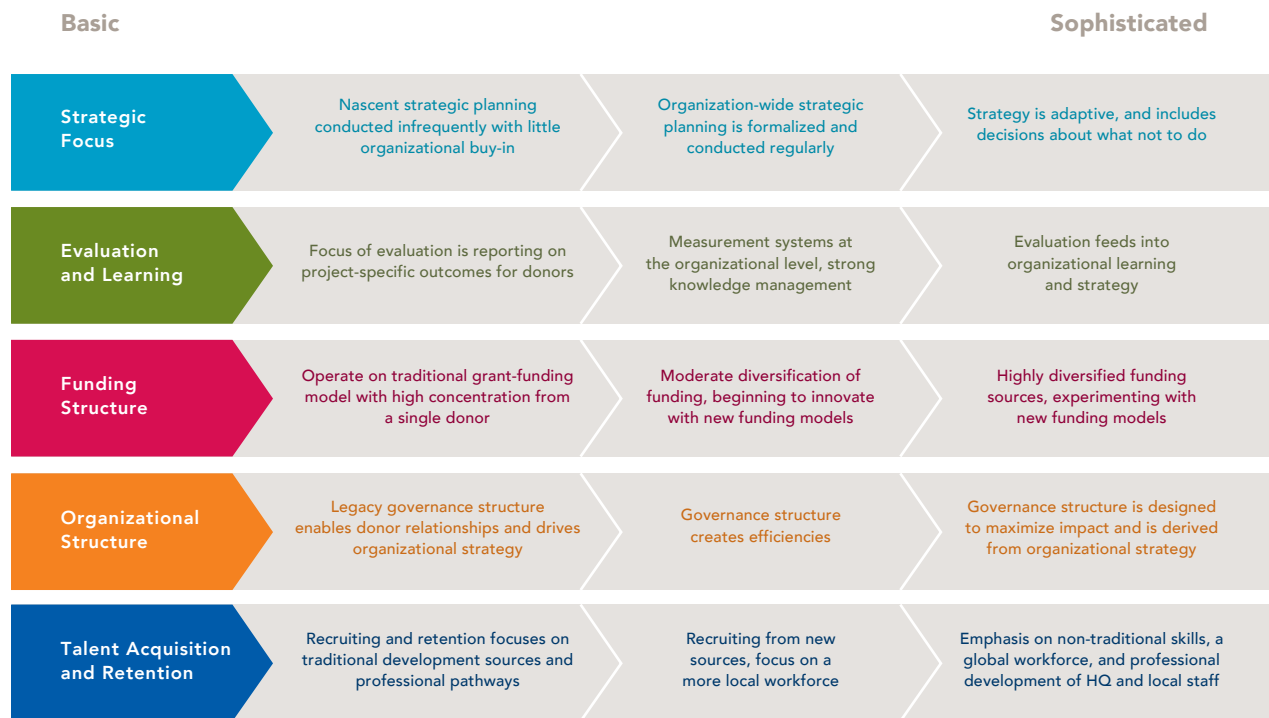
MSI acts as an incipient backbone organization for the collaborative. A leadership team comprised of two representatives from each organization sets strategic direction and oversees progress on outcomes. A steering committee, made up of senior leaders from the partner organizations as well as the two donors, meets three times a year. The committee oversees the AHME's progress and steps in if work is not progressing appropriately. A coordinating committee in each country, made up of members of the partner organizations and national governments, communicates on a regular basis and meets at least quarterly.

AHME's collective impact approach is testing INGO habits. A third of AHME funding is unallocated to a specific organization, providing unconventional flexibility to future, unidentified opportunities. Likewise, AHME's commitment to aligned, mutually reinforcing activities has at times challenged partner organizations to cede activities they traditionally would have carried out to partner organizations in order to prevent overlap.

# Operational Strengthening: Enabling the INGO of the Future

Below, we document the state of the field along five key operational elements. These elements are core for INGOs to remain competitive and anticipate coming disruption. They are also critical for INGOs to deliver impact in new ways. The majority of INGOs surveyed are on a journey toward greater sophistication in these elements (see Figure 12).

Figure 12: Spectrum of Sophistication for INGO Operations



INGOs with more sophisticated operations are profiled below. While there is not always a direct relationship, we see a strong correlation between a focus on operational elements and the ability to anticipate disruption and embrace new approaches to impact. For example, **MSI's** organizational assessment was key in guiding the INGO to provide autonomy to country staff, positioning it toward innovative partnerships with local players, and dramatically increasing its health impact over two years. **PSI's** business-like focus and disciplined use of metrics to inform its program strategy has positioned it as an attractive shared value partner to companies.

Greater strategic focus, rapid learning through strong organizational evaluation, more diversified and unrestricted funding for investment in innovations, highly autonomous local operations to allow for systems-level analysis, and unconventional staff that understand the world of the private sector position INGOs to experiment with new approaches to impact.



## Strategic Focus

### Current Practice

Strategic planning that assesses organizational strengths and weaknesses and positioning vis-à-vis competitors, reviews the external environment, and makes a coherent set of choices about the future is still a work in progress for many respondents.

Surprisingly, less than half (39 percent) of the INGOs surveyed have dedicated staff to oversee strategic planning and implementation. A significant portion (36 percent) of INGOs surveyed do not engage local staff in their strategy development, although they are on the front lines of organizational impact. Few INGOs conduct scans of competitors to understand which other organizations conduct similar work in overlapping geographies. Larger INGOs (those with revenues over \$100 million) and those led by newer CEOs (in their roles for less than five years) were more likely to have mature strategy processes in place, including dedicated leadership, regular cycles, and involvement of field staff in the process.<sup>64</sup>

### Leading Practice

Some INGOs have advanced strategy-setting processes that deliberately include reflection on the coming disruptions. These organizations involve staff at all levels to create organization-wide buy-in and exhibit a focused mission that does not always follow donor leads.<sup>65</sup> **Catholic Relief Services'** (CRS) latest strategic review created a scenario planning team to understand

the nature and impact of the most uncertain and important driving forces affecting the world in 2025. The resulting nine potential future scenarios formed a platform for thinking about CRS's role in those scenarios. The new strategy led CRS to prioritize its focus on agriculture, health, and emergencies. **MSI** invested in a strategic planning process that guided the organization to change its program delivery approach and develop a more effective organizational structure (see Figure 13, Appendix). Following the adoption of the new strategy, MSI has doubled its impact in reducing unsafe abortions between 2010 and 2012.



## Evaluation and Learning

### Current Practice

The increased focus on accountability over the last several years has increased the urgency of monitoring and evaluation among INGOs. Today, all INGOs engage in some form of evaluation, often across programs and geographies. Nine out of ten INGOs surveyed have at least one staff member dedicated to program level or organizational evaluation, but this is a relatively new trend. More than two-thirds of those positions were created in the last five years.<sup>66</sup>

### Leading Practice

Global health organizations and larger INGOs (those with over \$150 million in revenues) tend to have more sophisticated evaluation processes, with organization-wide indicators and dedicated staff and budget.<sup>67</sup> **PSI** uses the disability-adjusted life year (DALY) metric to assess progress toward organization-wide targets. PSI's DALY-averted analysis revealed the potential for the organization to reduce the disease burden of pneumonia to a greater extent than previously realized. After the organization developed new, easy-to-use, prepackaged therapy kits to treat childhood pneumonia, in three years the disease went from being a very

low producer of DALYs averted to the organization's third-highest.<sup>68</sup> PSI attributes its success in securing Global Fund funding (second largest recipient of Global Fund monies) to its metric-driven approach.<sup>69</sup>

**Mercy Corps**, among a few others, has invested four years in developing a work-in-progress mission metrics system, which allows leadership to track progress toward its mission (see Figure 14, Appendix).



## Funding Structure

### Current Practice

The vast majority of INGOs rely on a similar set of funders and approaches to generate revenue. While a diversified funding base may not be a prerequisite for growth, it provides INGOs greater autonomy to pursue their own agenda as well as opportunities to create impact in new ways.

The respondent group displays a wide variation in its dependency on USG funding, with funding from this source ranging from 22 percent to 98 percent (see Figure 15, Appendix). Overall, the set relies heavily on USG funding, with the median organization receiving nearly 60 percent of its revenue from this single source. In addition, funding to INGOs has become increasingly restricted to specific programming. More than half of the INGOs surveyed have less than five percent of revenue marked as unrestricted.<sup>70</sup> This leaves minimal resources for INGOs to invest in ongoing learning, strategic planning, and innovation.

### Leading Practice

Few of the INGOs surveyed have significantly expanded beyond a mix of USG contracts and large foundation grant funding. Those that are currently exploring new funding approaches, including impact investing, revenue-generating projects, and endowments, are some of the largest among their peers, including **World Vision**, **Save the Children**, and **CARE USA**. Less than a third of INGOs surveyed have an income-generation component to help generate unrestricted revenue streams. An additional 20 percent of INGOs intend to explore similar ventures in the coming three years, but transition to these models is still in its early stages. Figure 16 in the Appendix provides examples of other nascent approaches to funding.

**Save the Children**, **PATH**, **Mercy Corps** and **Pathfinder International** have created funds to allow for innovation, unhindered by current donors. PATH's Catalyst Fund, created in 2005, targets private sources of funding, including foundations, corporations, and high net worth individuals, to provide flexible funding to invest in organizational infrastructure, experiment with untested but high-potential innovations, and scale proven interventions.<sup>71</sup> The fund allows the organization to diversify funding in ways that are not charted by a donor, but instead invest in the organization's catalytic and transformative strategies.<sup>72</sup>

*We see a strong correlation between a focus on operational elements and the ability to anticipate disruption and embrace new approaches to impact.*



## Organizational Structure

### Current Practice

Among all the organizational changes taking place at INGOs, global governance and local structure have received the most attention. The Hauser Center for Nonprofit Organizations<sup>73</sup> and others have noted three major global governance structures utilized by INGOs, each of which offers its own advantages and tensions (see Figure 17, Appendix):

- › **Centralized** (used by 33 of the 50 organizations in our study set, with median revenues of \$100 million and operating on average in 54 countries)
- › **Federated** (11 organizations, representing the largest INGOs, with median revenues of more than \$283 million and operating on average in 63 countries)
- › **Confederated** (six organizations, with median revenues of \$67 million and operating on average in 61 countries).

A quarter of the INGOs surveyed were at the time in the midst of an organization-wide restructuring.<sup>74</sup> For some, the transformation is a way to streamline operations and become a more efficient network of affiliates. For other INGOs, providing greater autonomy to local offices is a powerful motivation for transformation. **CARE USA**, for example, is moving to a new structure to foster an interdependent network of peer organizations that will, over the long term, replace branch country offices that manage implementation on the ground (see Figure 18, Appendix).

### Leading Practice

New business models will surely emanate from more catalytic approaches to impact. Social enterprises, direct or donor-subsidized shared value projects with the private sector, and fee-for-service consulting/facilitation all represent new ways of offering services and getting paid. Some INGOs are proactively making organizational changes to offer these newer types of service. For example, **Mercy Corps'** shared value work is led by a "social innovations team" that includes eight staff working under a new chief innovations officer. The team both encourages the adoption of shared value across the INGO and sources new ideas from colleagues in other departments.

Looking ahead, there could also be more mergers and strategic alliances in the INGO sector, based on complementary assets. Whereas past INGO mergers have occurred under distress, future alliances between larger INGOs and smaller or Southern-based organizations could take advantage of the geographic, issue, network, or functional expertise of both parties. For example, a global health INGO with strong relationships in the pharmaceutical industry and expanding into noncommunicable diseases could acquire a Southern NGO specializing in last mile delivery of care through a local network of health workers.



## Talent Acquisition and Retention

### Current Practice

The move toward local ownership and recognition of the importance of new funding approaches and partnership models have driven INGOs to make organization-wide changes to the way they attract, retain, and train a global workforce. More than half of INGOs surveyed intend to make major changes to recruitment and retention strategies for headquarters, expatriate, and local talent, in many ways echoing the changes that took place in the private sector two decades ago. The skills identified as becoming the most important in new local hires include fundraising, partnerships and negotiation, and deep issue-area expertise.<sup>75</sup>

### Leading Practice

INGOs are looking to move away from top-down training structures and encourage cross-office and cross-country training. **MSI** has moved a large part of its technical support resources out of London and into local offices and regional hubs, setting up a business-to-business training system where local offices are tasked with training and monitoring their regional peers.<sup>77</sup>

A few INGOs are adopting lessons from the private sector. **Mercy Corps** is recruiting new talent from non-Western business schools, including top universities in Jakarta and Beijing, as well as from global companies. To retain these people, Mercy Corps offers a variety of incentives for staff to engage in extracurricular activities—like a “mini-MBA” for field workers.<sup>78,79</sup>

### A Field Resource for Operational Strengthening

As they continue to refine these operational elements, INGO leaders highlighted the need for access to leading practices, case studies, benchmark data, and tools to accelerate their efforts. A central repository, supported by INGOs and donors, could collect quantitative and qualitative data and share a number of resources on a “pre-competitive basis” with the INGO community. Such tools or information mentioned as valuable but hard to acquire include strategic plans, organizational evaluations, and staffing and operational costs per function (such as human resources, finance, and business development as mentioned in the recent Bridgespan Group report).<sup>80</sup>

While some of this information is currently provided through a variety of forums, such as InterAction, InsideNGO, and LINGOs (Learning in NGOs), there is no “go-to” resource that currently exists for this purpose.



# A Call to Action for INGOs and Donors

The approaches mentioned in this report are not silver bullets. But they do help INGOs take advantage of their unique assets and use them to turn the disruptions affecting them today into opportunities for the future. Strengthening their operations and adopting the approaches to impact will require coordinated action by both INGOs and donors as they work to address critical development challenges.

## Share responsibility for addressing the “innovator’s dilemma.”

Donors should be the natural accelerators for the new approaches to impact discussed in this report. After all, it is in donors’ interests to foster development partners that can anticipate change and identify more catalytic ways of addressing their priorities.

INGOs should not assume, however, that donors are *a priori* invested in their future sustainability. Donors, such as USAID, are becoming less protective of INGOs, particularly with the new targets under USAID Forward. Donors also look at the INGOs in this report as highly professional operations, able to anticipate disruptions and innovate if they have the vision to do so. Without doubt, some INGOs will lose their competitive advantage vis-à-vis social enterprises, single-issue organizations, or local NGOs. Competition from Southern INGOs, such as BRAC, will also threaten the close-knit ties between INGOs and traditional donors. This creative disruption will likely change the list of the top 50 INGOs by 2020. The emergence of new players is inevitable and will result in new solutions and greater ownership of problems by individuals, communities, and governments in the developing world.

But unlike the private sector where the market determines firm survival, INGOs are inextricably linked to donors’ success. Donors and INGOs thus share responsibility to address the “innovator’s dilemma” facing INGOs today, a central tension evident from the



Nile Sprague/TechnoServe

dozens of conversations conducted for this study. A key recommendation is for INGOs and donors to work together to address this tension. A number of next steps are needed: documenting evidence of impact from new approaches pursued by INGOs (of which this report is the first step) and translating these ideas to inform future RFPs; exploring an “innovation fund” to incent INGOs to experiment with multisector collaborations or business partnerships; and using existing forums, such as InterAction or the NGO Leaders Forum, to engage in conversations between INGOs and their donors to identify solutions based on their common objectives.



© Jake Lyell, courtesy of PSI

## Recommendations for INGO Leaders

Based on discussions with INGO leaders, it is clear that the process required to rigorously contemplate the new approaches to impact and their operational consequences are hard to accommodate during normal strategic planning cycles. INGO leaders, particularly boards and CEOs, should invest time in a series of structured and regular conversations to identify approaches that allow them to best anticipate and address the coming disruptions.

INGOs will also need to continue to enhance their implementation, including investing in cost-effectiveness data and leveraging technology. More difficult will be taking on major systems change as evidenced by **PATH**, shared value partnerships, as practiced by **WWF**, and spearheading disciplined, multisector collaboration. Several recommendations are suggested below to start INGOs on the journey. Likewise, INGOs will need to improve their operations, both to stay competitive in the near-term and experiment with the newer approaches to impact.



### Influencing Systems Change

To move away from narrow, project-specific interventions to a systems approach by influencing other players, INGOs can:

- Develop capacity of country staff to synthesize data on community gaps, conduct ecosystems mapping, and identify interventions needed by all players to design systemic solutions. Designing comprehensive solutions and bringing in other players will require strategic analysis and negotiation skills among country staff.
- Synthesize learning across programs and geographies into different forms of intellectual capital, separate from marketing collaterals, to establish thought leadership positions on complex issues, such as natural resource use, noncommunicable diseases, etc.



### Harnessing the Private Sector

To transform existing funding-motivated corporate philanthropic relationships to those that are mutually beneficial and focused on more sustainable and scalable impact, INGOs can:

- › Identify overlaps in program priorities with companies' business goals, including both new companies and existing relationships. Develop a set of criteria consistent with the INGO's mission to guide the selection of shared value partners.
- › Introduce new messaging that reflects a shift in the role of the INGO from corporate philanthropic to shared value partner. Corporations looking for INGO business partners complain that they do not understand how INGOs work, the services available to them, or the appropriate contact beyond a "resource development" staffer.
- › Demonstrate the benefits of shared value relationships to donors. **TechnoServe's** success in working with the private sector has earned it a reputation as an innovative problem solver among donors, offering the organization "tripartite" funding relationships with businesses and conventional donors.



### Leading Multisector Action

To increase the impact of existing and future collaborations, INGOs can:

- › Make the case to donors, such as USAID, that existing prime-subcontract relationships can be transformed into more rigorous collaboration, including the ideas of a formal backbone, a common agenda, and continuous collaboration.
- › Support government actors as multisector coordinators or "backbone organizations." Governments will need training and support, perfectly suited to INGO assets. USAID Forward's specific goals for more direct funding to partner governments could offer a new role for INGOs.
- › Experiment with new methods of shared measurement. The CORE Group, a collection of

*Share responsibility for addressing the "innovator's dilemma." Donors should be the natural accelerators for the new approaches to impact discussed in this report. After all, it is in donors' interests to foster development partners that can anticipate change and identify more catalytic ways of addressing their priorities.*

organizations that works on child survival and involves several INGOs, including **MSH**, **MSI**, and **Pact**, worked with USAID to select 13 indicators, which each member organization collects and reports on for each of their projects worldwide. This development of common indicators through a participatory approach has actually increased the willingness of grantees to measure and add new indicators to their assessment tools and funders' use of data.<sup>81</sup>

INGOs can use the simple operational framework provided (see Figure 12) to assess the strength of their operations and make improvements, taking ideas from the practices mentioned in this report. For example, INGOs can:

- › Reduce time horizons for strategic planning, conduct systematic scans of the external environment and the agenda of other players, and use tools such as scenario planning to develop focused strategies, similar to the process undertaken by **Catholic Relief Services**.
- › Develop a set of outcome metrics that can be collected, aggregated, and shared with staff and leadership across the entire organization to inform program strategy, similar to the way **PSI** uses DALYs.
- › Create organizational structures (e.g., teams and roles) to pilot the new approaches to impact and spur innovation by collecting input from all parts of the organization, similar to **Mercy Corp's** social innovations team.

## Recommendations for Donors

With less than 1,000 days remaining to reach the Millennium Development Goals and the gaps that exist in meeting many of the targets, donors have a stake in investigating ways to accelerate progress. To support INGOs in their transformation on approaches to impact and operations, changes in donor practices and policies are needed:

### **Strike a balance between localization and capitalizing on INGOs' unique value.**

The effort to localize funding as part of USAID Forward has received criticism from the INGO community. One CEO commented: "What we've done over the past 20 years—building local capacity and developing genuinely local roots—now puts us at risk of being dismembered."<sup>81</sup> The move by major funders to orient funding toward in-country partners was the number one challenge identified by survey respondents. As a number of INGO leaders themselves admitted, some of this criticism by INGOs is unwarranted if it serves to block the rise and growth of local organizations. On the other hand, INGOs that provide distinct value should not be deprived of funding simply because of their Western roots.

The unique combination of a global network and deep local presence allows INGOs to embrace the approaches to impact described in this report. For example, an INGO can partner with a major multinational company using relationships at the corporate headquarters to design programs targeted at small businesses in that company's supply chain in a middle-income country. In the short term, this distinct role is difficult for local NGOs to duplicate. Donor goals of creating a thriving local civil society should not overlook INGOs' unique assets and their potential to take on complex problems. Donors should strike a careful balance to allow more local NGOs to take on some of the direct implementation activities previously managed by INGOs. At the same time, systems-level issues, such as the epidemic

of diabetes, crop failure over entire regions, and resiliency plans in the face of climate change, require the accumulated assets of INGOs and the new approaches mentioned in this report.

### **Conduct regular and systematic analyses of the implications of donor strategy on the "marketplace" of partners.**

Some donors, such as USAID, focus on the transparency of their strategic planning efforts and solicit public comment. Others create landscape maps of existing partners and consider whether partners exist to help them carry out their strategy. The most helpful processes assess the consequence of donor strategy on the competitive marketplace of partners. Clearly articulating and sharing the unique assets donors seek from INGOs also provides greater clarity to INGOs and other partners as they develop their resource-development approaches. During each of their strategic planning processes, the Hewlett Foundation analyzes the role it plays in specific sectors and assesses whether there are current or potential alternative sources of revenues for the organizations its supports.

### **Support field resources to accelerate organizational strengthening.**

In the past, donors have provided grants to INGOs to strengthen their organizations. A now-defunct grant program from USAID's Policy Planning and Learning unit was designed to provide smaller INGOs growth capital. The Hewlett Foundation gave a modest organizational grant to MSI in 2010 to hire external consultants to conduct strategic planning, which allowed the INGO to develop a new governance structure. Funding for organization-specific professionalization is scarce in today's environment. But donors can invest in field-wide efforts that share practices, tools, and benchmarking data to efficiently move many INGOs forward.

**Transform *pro forma* partnerships into true collaborations that address complex system issues.**

By investing in disciplined and sustained collaborations that embrace a common agenda, mutually reinforcing activities, and shared measurement systems, donors can dramatically improve the effectiveness of partnerships to address complex global development challenges.

In collaboration with INGOs and local partners, donors should use topical and geographic criteria to identify where multisector collaboration is likely to generate greater impact than current partnerships. Donors should help support the development of backbone organizations and shared measurement systems to maximize impact from these partnerships.

**Lay the foundation for long-term INGO-business partnerships.**

USAID and many other donors recognize the need to partner with the private sector. The Global Development Alliance (GDA) at USAID provides a helpful mechanism to further accelerate shared value partnerships, but these efforts are still the exception rather than the norm. An evaluation of the GDA suggests that it can be more proactive in building relationships with the private sector and connecting USAID missions with corporations.<sup>82</sup> A centralized pool of funds dedicated for GDA engagements outside of USAID mission funds could help accelerate new partnerships with the private sector. Donors interested in private sector solutions can help codify emerging business models, from those that are untested and require subsidies to launch to those that are able to immediately generate financial returns.

# Conclusion

The INGO “innovator’s dilemma” poses a major challenge for these organizations to explore ways to expand and deepen their impact. But new approaches to established tools hold promise for INGOs to break out of this dilemma. The INGO of the future can build on its track record of implementation and achieve more sustainable and scaled impact by influencing systems change, engaging corporations as shared value partners, and leading coalitions between sectors. Adoption of these new approaches will require focus on the operational elements that enable INGOs to move in this direction. The transformation will not happen without difficult changes to mindset, practices, and funding by both INGOs and their donors. We hope this report plays a part in launching the platform for the evolution of today’s INGOs to the future.



Photo courtesy of CARE

# Appendix

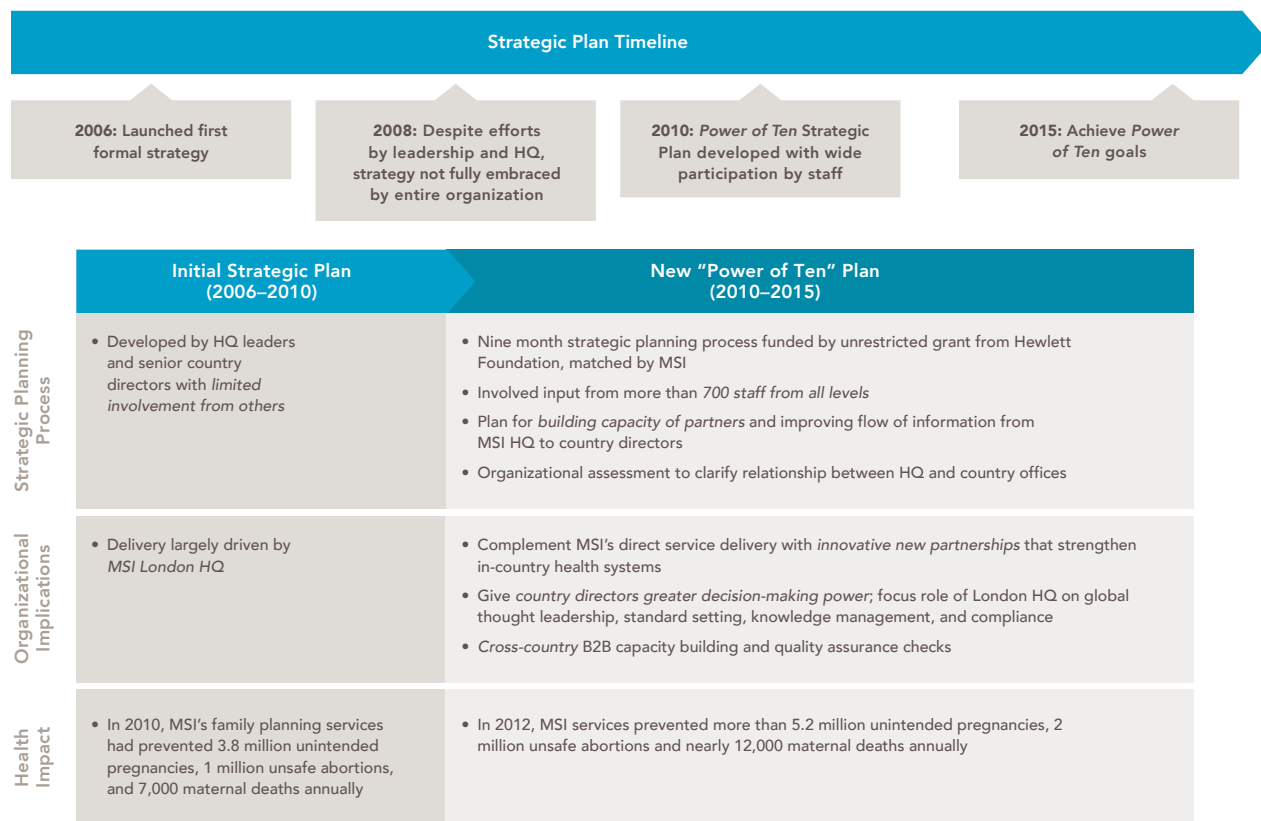
As INGOs professionalize, they are making changes to their operational elements—strategic focus, evaluation and learning, funding structure, organizational structure, and talent acquisition and retention. This appendix provides leading examples of how INGOs are already driving change within their organizations around these five operational elements.

## Strategic Focus

**Marie Stopes International (MSI)**, a U.K.-based INGO outside of the study set, is an example of state-of-the-art strategic planning in a large multinational INGO. An unrestricted strategic-planning grant from

the Hewlett Foundation in 2010 helped MSI focus its activities and realign authority from London to country staff (see Figure 13).

**Figure 13: MSI’s Strategic Planning Process**

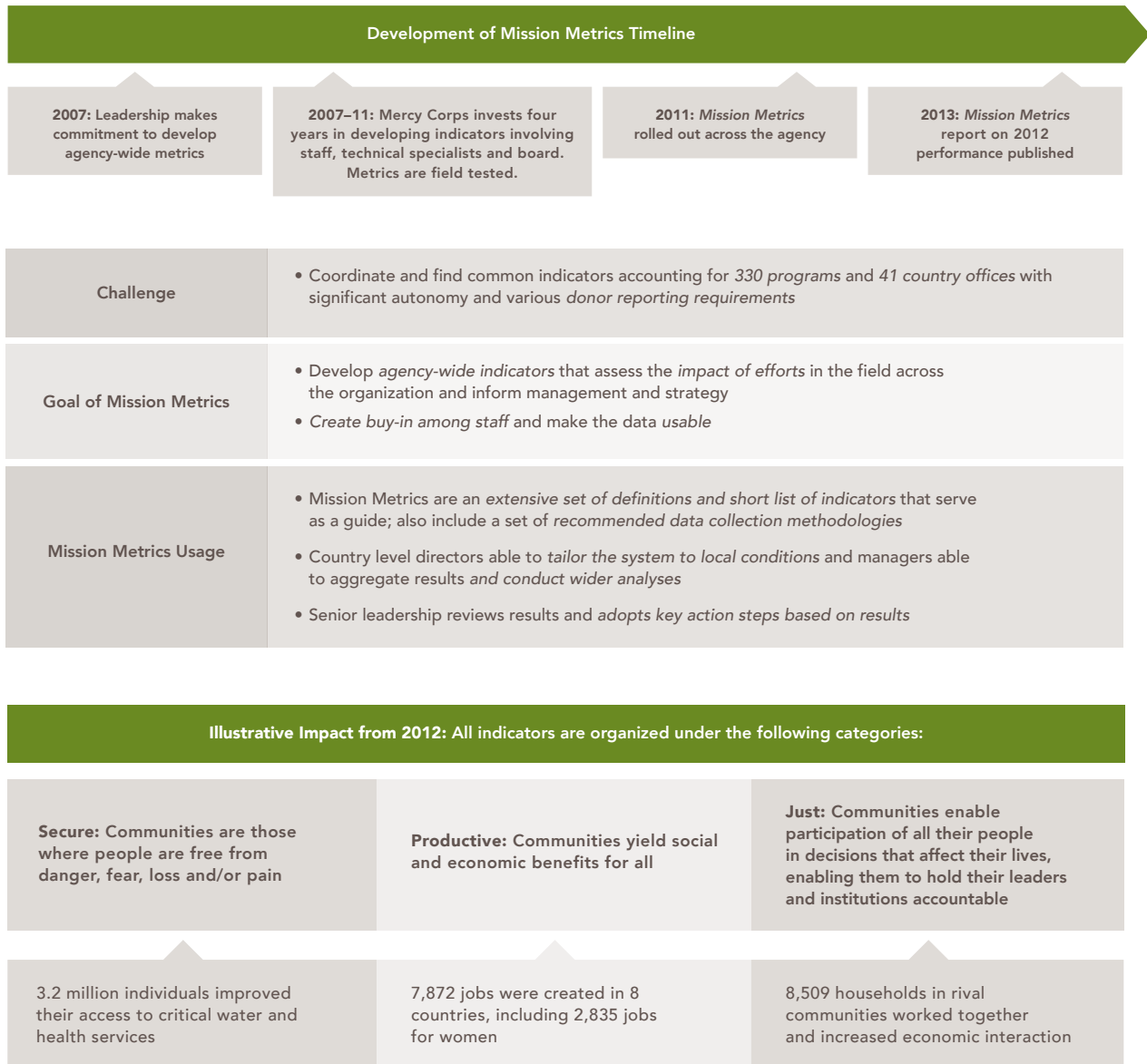


## Evaluation and Learning

Mercy Corps has invested four years in developing a Mission Metrics system, which allows leadership to track progress towards its mission and identify areas

to course correct during annual strategic planning meetings (see Figure 14).

**Figure 14: Mercy Corp’s Mission-Driven Metrics System**





## Funding Structure

As shown in Figure 15, the respondent group displays a wide variation in mix of revenue sources. Nevertheless, as a group, the set is highly reliant on USG funding, with the median organization receiving nearly 60 percent of its revenue from this single source.

Figure 16 provides some examples of ways that INGOs (**IntraHealth**, **Education Development Center**, **PSI**, **Pact** and **Mercy Corps**) have explored expanding funding opportunities beyond USG and large foundation funding, including monetizing existing products, building networks of high net worth individuals, and launching social enterprises.

Figure 15: Average Funding Mix of Survey Respondents over Last Three Years

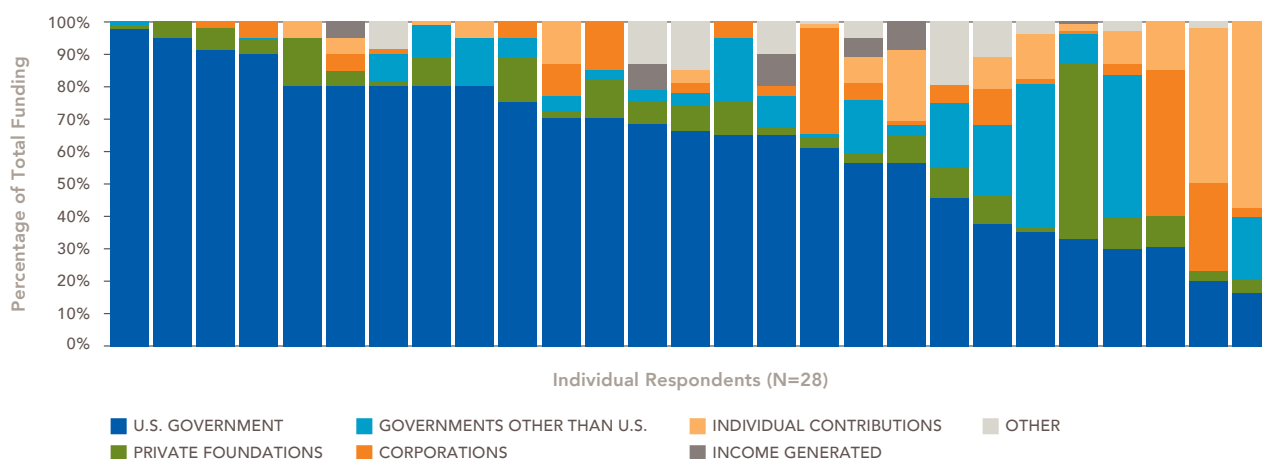


Figure 16: New Revenue Streams for INGOs

Methods	Examples	Implication for INGOs
<b>Monetize Existing Products</b>	<p>IntraHealth is leveraging technology and innovation by exploring self-sustaining and profit-generating models for several of its existing web-based products, currently embedded in projects and technical assistance.</p> <p>Education Development Center (EDC) develops literacy and youth development tools and is working with partners to commercialize them.</p>	<ul style="list-style-type: none"> <li>Assess current product and service offerings</li> <li>Research market demand</li> <li>Hire relevant staff with experience bringing products to market</li> <li>Assess real costs of investing in new product launches</li> <li>Consider governance and structural adaptation to support this shift</li> </ul>
<b>Build Networks of High Net Worth Individuals</b>	<p>PSI is partnering with several high net worth individuals to develop a community of philanthropic leaders to fund initiatives on women and girls' health. Members are expected to contribute between and \$1M and \$5M over three years.</p>	<ul style="list-style-type: none"> <li>Develop networks of donors at multiple donation levels</li> <li>Create hands-on opportunities for donors to engage with project work</li> </ul>
<b>Launch Social Enterprises</b>	<p>Pact has set up microfinance and other subsidiaries that operate without the overhead and pricing constraints of the global organization.</p> <p>Mercy Corps, in partnership with IFC and others, founded Bank Andara—also supported by Bill &amp; Melinda Gates Foundation—in 2008 to provide capital and technical services to low income small business owners in Indonesia.</p>	<ul style="list-style-type: none"> <li>Different governance and legal structures can give INGOs flexibility to experiment with new service and pricing models</li> <li>Social enterprises can provide additional unrestricted revenue</li> <li>Consider acquiring existing entities and building in new services that help reach new customers</li> </ul>

## Organizational Structure

Currently, INGOs use a range of different types of governance structures, including centralized, federated, and confederated (see Figure 17). Each of these structures exhibits unique benefits and tensions.

Some INGOs utilize a variety of structures—affiliate, branch, joint venture, and independent entity—to establish their local presence (see Figure 18).

Figure 17: Range of Global Structures for INGOs

	Centralized	Federated	Confederated
Description	<ul style="list-style-type: none"> <li>Unitary model with one central headquarters, board, and regional offices that focus on program implementation in the country in which they are located</li> </ul>	<ul style="list-style-type: none"> <li>Authority and resource controlled at central level but shared responsibility between the global unit and national affiliates</li> </ul>	<ul style="list-style-type: none"> <li>Group of independent organizations linked under an umbrella by common mission and brand that operate independently from one another and oversee operations in multiple countries</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>Able to efficiently enforce policies and systems across the organization</li> </ul>	<ul style="list-style-type: none"> <li>Greater ability to coordinate than confederations</li> <li>Greater voice from developing countries</li> </ul>	<ul style="list-style-type: none"> <li>Independent affiliates able to fully leverage assets of HQ country of operations</li> </ul>
Tensions	<ul style="list-style-type: none"> <li>Less autonomy at the local level and opportunity for local fundraising</li> <li>More Northern influence</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate balance between local autonomy and coordinated global operations</li> </ul>	<ul style="list-style-type: none"> <li>Challenge to reach consensus and roll out changes across global network</li> <li>Multiple presence of same brand in many countries</li> </ul>

### Save the Children: Professionalizing and streamlining global operations

**Organizational change:** Moving from a model with autonomous affiliates to a federated model with a unified implementation platform, Save the Children will have an international board and drive global strategy together with each of the member organizations.

**Driver:** Has been moving towards a unified model over past few years. The most recent drive is to improve efficiency and consistency to increase impact.

**Considerations:** Leaders will need to ensure clear roles of center and national affiliates to contain costs and deliver efficiencies of scale. Local fundraising approaches will need to be developed in a model where fundraising is the responsibility of national affiliates. All will need to leverage technology to strengthen coordination and global operations.

### CARE: Bringing Southern representation to the network

**Organizational change:** Committed to adding more Southern members, with CARE Thailand as the first full affiliate and CARE India and Peru soon to be added.

**Driver:** Proactive decision to foster inclusiveness while also making global network of affiliates more efficient.

**Considerations:** CARE USA raises 70% of CARE International's funds, and thus has significant control over the international organization. While CARE is moving towards a balanced network, organizational control mostly lies with the Northern affiliates.

Figure 18: Sample of Local Structure across Respondent Group

	Less Autonomy		More Autonomy	
	Affiliate	Branch	Joint Venture	Independent Local Entity
Description	<ul style="list-style-type: none"> <li>Legally part of the global organization</li> <li>Typically based in a developed country which oversees work in multiple countries</li> <li>Mix of national and expatriate staff, which are connected to the global HQ but have varying levels of decision-making and fundraising power</li> </ul>	<ul style="list-style-type: none"> <li>Legally part of the global organization, but may have independent local governing boards</li> <li>Based in country of operation, with mix of local and expat staff</li> <li>May take on some traditional HQ responsibilities, such as fundraising</li> </ul>	<ul style="list-style-type: none"> <li>Legal partnership between the global organization and a local organization, typically for project-based work</li> <li>Divides governance, fundraising and program responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Originally created by the global organization, but now legally independent entity</li> <li>Responsible for all activities previously undertaken by global organization, including fundraising and program work</li> </ul>
Benefits and Trade-offs	<ul style="list-style-type: none"> <li>Link local offices to international innovations and best practices</li> <li>High overhead</li> <li>Less representative of local voice</li> </ul>	<ul style="list-style-type: none"> <li>Safeguards mission drift at the local level</li> <li>Relatively high overhead</li> <li>Potentially less representative of local voice</li> </ul>	<ul style="list-style-type: none"> <li>Less quality control for global organization</li> <li>Weaker network between global and local entity</li> <li>Potentially more representative of local voice</li> </ul>	<ul style="list-style-type: none"> <li>Graduating of affiliates weakens integration with the global network and best practices</li> <li>Structure may put sustainability of global organization at risk</li> <li>Potentially much more representative of local voice</li> </ul>
Best Practice	<ul style="list-style-type: none"> <li>Affiliates maximize strengths and resources of country where based</li> <li>Coordinate efforts with other INGO affiliates in-country</li> </ul>	<ul style="list-style-type: none"> <li>Set up local board and governing power</li> <li>Establish in-country fundraising capabilities</li> <li>Build local management capacity</li> </ul>	<ul style="list-style-type: none"> <li>Assess strengths of partner and build capacity where needed to carry on work after INGO leaves</li> <li>Give targeted decision-making power and quality control to partner</li> </ul>	<ul style="list-style-type: none"> <li>Legally spin off branch or joint venture that has capabilities and staff to conduct targeted work and fundraising</li> <li>Develop strong links to the community</li> </ul>

## Talent Acquisition and Retention

INGOs are well aware that a new skill set, distinct from program expertise, is needed in the future. Findings from our survey indicate that partnering and negotiation skills, advocacy expertise, and information technology skills will be equally as important to INGOs

as deep subject-matter expertise and development experience. A recent article in the *Stanford Social Innovation Review* highlights the tangible benefits of cultivating an international senior leadership team to INGOs.<sup>83</sup>

## Interviewees

Alphabetized by organizational affiliation

### **Kathleen Flanagan**

President, CEO  
Abt Associates

### **Carl Leonard**

President, CEO  
ACDI/VOCA

### **Joanna Kerr**

CEO  
ActionAid International

### **Sasha Dichter**

Chief Innovation Officer  
Acumen Fund

### **Teguest Guerma**

Director General  
African Medical and Research  
Foundation

### **Anne Evans**

Vice President, Strategic  
Resources  
Ashoka

### **Diana Wells**

President  
Ashoka

### **Randall Kempner**

Executive Director  
Aspen Network of Development  
Entrepreneurs

### **Susan Davis**

President, CEO  
BRAC USA

### **Bethann Cottrell**

Director, Child Health and  
Nutrition  
CARE USA

### **Helene Gayle**

President, CEO  
CARE USA

### **Marcela Hahn**

Executive Director, Strategic  
Partnerships and Alliances  
CARE USA

### **Francois Jung-Rozenfarb**

Senior Director, Social  
Enterprises  
CARE USA

### **David Ray**

Head of Policy and Advocacy  
CARE USA

### **Robert Glasser**

Secretary-General  
CARE International

### **Sean Callahan**

COO  
Catholic Relief Services

### **Carolyn Woo**

CEO  
Catholic Relief Services

### **Richard Dreiman**

Former CEO, Strategic Advisor  
Chemonics

### **Asif Shaikh**

Independent Consultant  
Former Executive Officer  
Council of International  
Development Companies

### **James Crowley**

Founder and Coordinator  
The Crowley Institute

### **Jean Gilson**

Senior Vice President, Strategy  
and Marketing Group  
DAI

### **Roy Trivedy**

Head of Civil Society  
Department  
DFID

### **Phil Harvey**

CEO  
DKT International

### **Sophie Delaunay**

Executive Director  
Doctors without Borders/  
Médecins Sans Frontières, USA

### **Luther Luedtke**

President, CEO  
Education Development Center

### **Pamela Barnes**

President, CEO  
EngenderHealth

### **Manisha Bharti**

Senior Advisor to CEO, Strategy  
and Communications  
FHI 360

### **Lara Goldmark**

Director, Private Sector  
Innovations  
FHI 360

### **Leslie Crutchfield**

Senior Advisor  
FSG

### **Guy Stallworthy**

Senior Program Officer,  
Integrated Delivery  
Bill & Melinda Gates Foundation

**David Weiss**

President, CEO  
Global Communities (formerly  
CHF International)

**Jonathan Reckford**

CEO  
Habitat for Humanity  
International

**Steve Weir**

Vice President, Global Programs  
Habitat for Humanity  
International

**Allen Grossman**

Professor of  
Management Practice  
Harvard Business School

**Christine Letts**

Senior Lecturer in the Practice  
of Philanthropy and Nonprofit  
Leadership  
Interim Director, Hauser Center  
for Nonprofit Organizations  
Harvard Kennedy School

**Jane Nelson**

Adjunct Lecturer in Public Policy  
Senior Fellow and Director,  
Corporate Social Responsibility  
Initiative  
Harvard Kennedy School

**Peter Bell**

Senior Research Fellow,  
Hauser Center for Nonprofit  
Organizations  
Harvard Kennedy School

**Sherine Jayawickrama**

Domain Manager, Humanitarian  
and Development NGOs  
Hauser Center for Nonprofit  
Organizations  
Harvard Kennedy School

**Pierre Ferrari**

CEO  
Heifer International

**Carol Moore**

Manager, Global Partnership  
Development  
Heifer International

**Ruth Levine**

Director, Global Development  
and Population Program  
William and Flora Hewlett  
Foundation

**Jocelyn Wyatt**

Co-Lead and Executive Director  
IDEO.org

**Laura Roper**

Independent Consultant  
Former Director of  
Planning and Learning  
Oxfam America

**Rachel Hatch**

Research Director  
Institute for the Future

**Sam Worthington**

President, CEO  
InterAction

**Timothy Prewitt**

CEO  
International Development  
Enterprises

**Nancy Aossey**

President, CEO  
International Medical  
Corps

**George Rupp**

Senior Fellow, Carnegie Council  
Former President, CEO  
International Rescue  
Committee

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President, CEO  
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4. In his 1997 book, *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*, Clayton Christensen argues that the same practices that cause leading companies to be successful are the ones that eventually can also result in their demise.
5. Of the 50 INGOs studied in this report, almost half (21) have hired a new CEO in the past five years. For a listing of all the INGOs in our study set, please visit [www.futureingo.org](http://www.futureingo.org).
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54. For more information, see the November 2009 case study developed by PATH, available at [http://www.path.org/publications/files/OTP\\_uniject\\_cs.pdf](http://www.path.org/publications/files/OTP_uniject_cs.pdf).
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All statements and conclusions, unless specifically attributed to another source, are those of the authors and do not necessarily reflect those of any individual interviewee, advisor, or sponsor.

FSG has worked with and on behalf of organizations mentioned in this report. Some organizations have paid for our consulting services in the past, while others have been sought out as subject-matter contributors. The following organizations have paid professional fees to FSG for strategic advice: Bill & Melinda Gates Foundation, Eli Lilly and Company, Management Sciences for Health, Mercy Corps, Oxfam, PATH, and Save the Children.

Helene Gayle, the CEO of CARE USA, sits on FSG's board of directors. Kyle Peterson, co-author and managing director at FSG, worked at PSI in the 1990s.

This report was first published in December 2013.



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## Acknowledgments

FSG gratefully acknowledges the support of the William and Flora Hewlett Foundation in the research, writing, and publication of this report. We applaud their leadership and vision for sponsoring this research to document the shifting nature of the INGO sector and its implications for how these organizations create impact.

FSG also appreciates the insights and guidance from our advisors—Peter Bell, Leslie Crutchfield, Ruth Levine, Jane Nelson, Susan Reichle, and Guy Stallworthy—who have contributed significantly to the creation of this report. Helene Gayle (CARE USA), Karl Hofmann (PSI), Tessie San Martin (Plan International USA), Bruce McNamer (TechnoServe), Eric Walker (PATH), and Will Warshauer (Pact) reviewed early drafts of the paper and provided feedback and recommendations.

We also thank Alexandra Geertz, Cara Priestley, Daron Sharps, and Kyle Muther whose invaluable research, insights, and reviews made this work possible.

We are especially grateful to the many leaders at the 57 organizations who took the time to participate in interviews and working sessions to provide their valuable insights, ideas, and candor.

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