Whither large International Non-Governmental Organisations?

What functional and structural choices do large international development charities need to consider to enable them to thrive in a fast changing, challenging context, whilst remaining true to their values?

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A. Introduction

Large international non-government organisations (INGOs) seem to be in an existential crisis in their role in the fight for social justice. Many, such as Save the Children or Oxfam, have become big well-known brands with compliance expectations similar to big businesses. Yet the public still imagine them to be run by volunteers. Their context is changing so fast, and so unpredictably, that they are struggling to keep up. It is a time of extraordinary disruptive change including the digital transformation, changing societal norms and engagement expectations and political upheaval and challenge. Fifteen years ago the political centre-ground in the UK seemed firm, with expanding space for civil society organisations to operate. Space for civil society voice now seems more threatened and challenged (Kenny 2015). There has been a decline in trust in large charities in particular, partly as a result of their own complacency, acting as if the argument for aid has been won. Partly as a result of questioned practices e.g. the fundraising scandal of 2016/17 (where repeated mail drops to individuals requesting funds caused public backlash) and the safeguarding scandal of 2018 (where historic cases of sexual abuse by INGO staff, including Oxfam, were revisited by media in the wake of the #me too movement). This is also partly as a result of political challenge on INGOs' advocacy and influencing role, their bias and their voice:

> 'Some government ministers regard the charity sector with suspicion because it largely employs senior people with a left-wing perspective on life and because of other unfair criticisms of government it means there is regularly a tension between big charities and the conservative party'

> Richard Wilson (Former Minister for Civil Society) 2018

On the other hand many feel that charities who have taken significant contracts to deliver services for the state have forfeited their independent voice and lost their way:

> 'The voluntary sector risks declining over the next ten years into a mere instrument of a shrunken state, voiceless and toothless, unless it seizes the agenda and creates its own vision.'

> Professor Nicholas Deakin 2014

It's a tough context to be leading an INGO through, but INGOs have appeared ill prepared and slow to respond to the threats and opportunities, not realising how much they may need to change to respond to the fast evolving context and expectations. Large INGOs spend most of their energy exploiting present grant and contract business models, rather than exploring the opportunities to overcome poverty offered by such disruptive change. Their size and structures do not enable agility. They are too internally focused and self-referencing at a time when the world around them is changing so fast, and when political sands have shifted. Focussing on the internationalisation of structures and decision-making means large INGOs are 'defeated by our own complexity', as one INGO interviewee put it.

The purpose of this paper is to stimulate thinking amongst large INGOs at a time of such extraordinary disruptive change. The paper explores options for large INGOs, in terms of function and structure. After outlining large INGOs' history, changing context, value and current thinking, it explores learning from others outside the development sector before suggesting the emerging options. It reflects on what's encouraging and what's stopping change and offers possible choices and pathways forwards.

Large INGOs still have to earn the right to exist. To win the trust of their clients and supporters they need to re-examine their relevance if they are to be successful in their laudable mission. Each INGO will need to make choices to suit its perceived relevance, but each also needs to be aware of the real dangers of complacency to achieve such a political, ambitious goal as tackling global poverty in a time of such change.

Methods

I have reflected on my own experience and learning from over 30 years in the sector, including the last 12 years in senior leadership positions in Oxfam, one of the largest INGOs. I have also conducted further desk research and used my networks to hold 27 semi structured interviews with a broad range of informants including: 11 senior leaders in a range of INGOs; 3 multinational businesses; 4 UK charities; 3 trusts/foundations; and 6 academics and consultants who work across organisational boundaries. These rich conversations have enabled me to reflect on emerging themes and lessons. The options considered have largely been generated from and through these conversations. Whilst pragmatic, the sampling will be inadvertently biased towards those in my own networks in the global North.
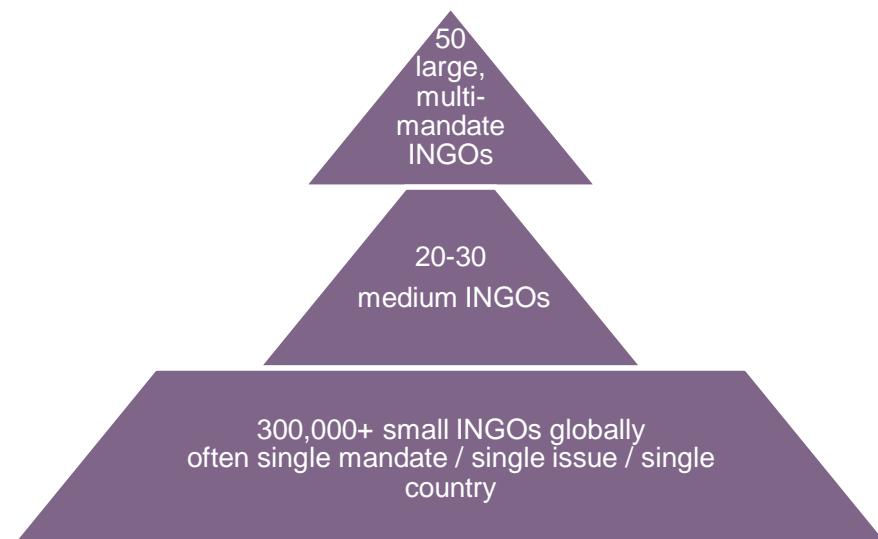
B. What is a 'large INGO'?

By 'Large INGO' (sometimes known as Big INGOs or BINGOs), I am referring to multi-mandate, multi-country, international non-government organisations. They may refer to themselves as 'global families/organisations'. They manage programmes and support partners that deliver services/capabilities in multiple countries (50+) across many regions. They work across humanitarian relief, long term development, and advocacy and campaigns, though there are a few large single-mandate INGOs: like Medecins Sans Frontieres and - increasingly - Water Aid. They aim to have global reach and impact, and often have global structures. They have established bureaucracy and systems. Though income is increasingly difficult to use as an effective comparator, they would each be raising £50−£300 million in UK, but also be part of a global organisation that raises many thousands of millions of US dollars per year. (For some this will exceed $1 billion per year, considerably higher incomes than their UK NGO counterparts.) Examples include Oxfam, Save the Children, Plan, World Vision, and Care. As one interviewee put it: *'in many ways large organisations* [of all types] *have more in common with one another than large NGOs and small NGOs* [have in common with each other]'

There are roughly 50 such large INGOs and an estimated 300,000 small INGOs globally. BOND, the INGO network within the UK, has 400 members, most of whom are small single mandate organisations who focus on a single theme (such as agriculture or water), or on a specific target group (such as the elderly, women or children), and who operate in only one or a few countries and with an income of £20million or less. They are most often not part of larger global 'families'.

There are also 20−30 medium sized INGOs with a single mandate. In the UK these might include the Mines Advisory Group (focussing on mines clearance); Voluntary Service Overseas (VSO) (focussing on volunteering); or BBC Media Action, (focussing on media programmes).


50 large, multi-mandate INGOs

20-30 medium INGOs

300,000+ small INGOs globally often single mandate / single issue / single country

Source: Bond website (2018)

What is the business model of a large NGO?

Most large INGOs have a similar value chain,[1] and are traditionally invested in all parts of this value-chain themselves. This would include analysing and understanding the context; programme design; raising and managing the funds; delivering the programmes; and monitoring and evaluating their own work. Most INGOs engage local partners to help in the delivery, but remain in control of programme delivery. For large scale programmes there may also be an external evaluator.

It's not surprising then that large INGOs have developed significant bureaucracies to manage such complex value chains, with all the expected accountability and efficiency at each stage, and with increasing competition for funds (Snow, 2017). Smaller NGOs − and certainly newer digital NGOs − are operating in only one or two parts of the value chain: reaching local communities directly or partnering with local organisations to deliver other parts of the value chain. Technology now enables funding to be sent directly to poor communities, challenging large INGOs to explain their added value.

| Context |
| Programme design |
| Fundraising |
| Fund & programme management |
| Programme delivery |
| Impact |
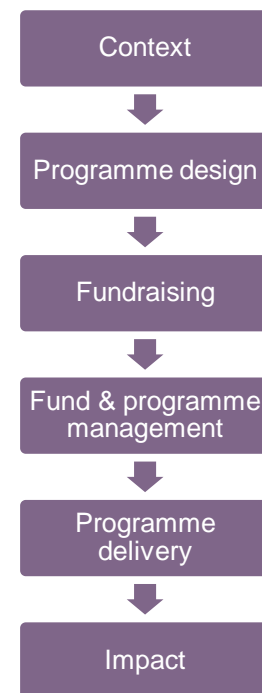
C. History and changing context in which large INGOs are operating

For most of my life the world has appeared to be going in the right direction, enabling more people to live longer healthier lives in more places: global poverty has halved in the period 1980−2010, fewer people die in conflicts, more girls attend school, and economic growth and development have increased. But despite progress against such measurable targets, and despite astounding technological advances, deeper human progress has slowed. Since 9/11 in particular, trust has eroded, civil conflict has risen and a deeper sense of inequality pervades. Civil society space is increasingly contested, democracy is disintegrating (Freedom House, 2017)[2], climate change and environmental degradation and the number of poor people living in fragile states with so little hope has grown. All these changes seem to be taking us in the wrong direction.

Large INGOs like Oxfam grew in the optimistic period of post war Britain. British people were (and have remained) generous, identifying with the suffering of people affected by disasters – from conflict in Biafra, to droughts in Ethiopia, or a tsunami in South Asia. Volunteers, and later staff, had to be courageous and creative to reach such people, and took huge risks to respond to those in need. They quickly learnt that there were more fundamental issues behind why poor people were poor and vulnerable, and started to raise funds to address the longer-term causes of poverty such as the lack of investment in education, health, and trade. They raised funds, initially through public appeals, and then by asking for regular donations or through child sponsorship, connecting the giver to the stories of impact and change for communities their programmes enabled. INGOs spoke out about the injustice of poverty and the inequalities they bore witness to.

The 'golden years' for international development were from the late 1990s to 2016/17 when the world felt at its most optimistic pre-Brexit and pre-Trump. The Berlin Wall had come down, Nelson Mandela was leading South Africa,

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[1] A value chain is a high-level model developed by Michael Porter used to describe the process by which businesses receive raw materials, add value to the raw materials through various processes to create a finished product, and then sell the finished product to customers

[2] According to Freedom House (2017), 71 countries registered declines in political rights and civil liberties in 2017, while only 35 registered gains. For the 12th year in a row, more countries retreated from democracy than moved closer to it. e.g. Open Society Foundation's forced move out of Hungary

civil society space was at its peak and the compassion of the UK public was turned into real political action with commitments to 0.7% GDP expenditure on aid, a collective (if over simplified) 'Make Poverty History' campaign. Large INGOs benefited hugely from strategic unrestricted grants in the form of 'Programme Partnership Agreements' from the Department for international Development, which they then used to leverage matched funds from others, and to invest in innovative programming and better monitoring evaluation and learning. The UK was regarded as 'the Silicon Valley' of development thinking and practice: UK Government's Department for International Development (DFID) consistently scored as one of the best donors in the world; UK universities pioneered academic excellence in development studies; UK think-tanks were at the forefront of challenging policy; and UK-based INGOs were amongst the largest and most influential in the world.

By the early 2000s there was recognition by publics and governments of the role of the voluntary sector in providing effective services for marginalised people both in UK and overseas. Charities continued to grow, and with growth came the need to 'professionalise' and to introduce management and business systems − '*the heart of a charity but the mind-set of a business'* (Catch 22, n.d.).

The UK Government funded the UK voluntary sector, through grants and then later contracts, to deliver specific services where they shared agendas and offered capabilities. Large UK charities grew larger, and smaller charities − who often did not qualify – shrank or closed. This also created a dependency so that, following the introduction of 'austerity' and the cut-back on services in 2010, UK charities reliant on government contracts became vulnerable. In contrast, UK-based international charities continued to benefit from an increasing UK aid budget as a result of the 2015 law that 0.7% of GDP should be spent on aid. With a growing aid budget, large INGOs have continued to grow through winning and managing UK DFID contracts, competing with one another and private sector providers.

Government grant and contract income to the UK voluntary sector, 2000/01 to 2012/13 (£ billions, 2012/13 prices)

■ Government contracts ■ Government grants

NCVO UK Civil Society Almanac | Built with Highcharts
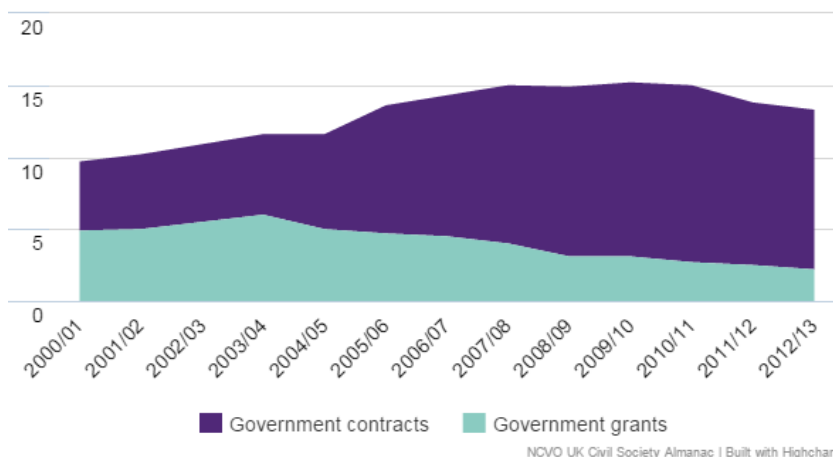
The international development sector is guided by 17 globally agreed 'Sustainable Development Goals'[3] challenging us all to 'leave no-one behind', and sets of agreed rules − for example on what can and cannot be counted as aid. Aid can still be used to wield influence of course and remains a source of soft power for governments. Whilst Africa receives over half of UK's bilateral aid (DFID, 2018), Sub-Saharan Africa receives only 25.3% of USAID's budget - Middle East and North Africa receives the most US economic assistance (USAID,2018).

The last decade has also seen a growth in 'philanthro-capitalism': philanthropy from billionaire CEOs, led by Warren Buffet and Bill Gates, who have committed large amounts of their wealth to good causes, and who have in return extended their influence into domains of social, cultural and political activity. Such philanthropists have applied their business approach and tended to support market-based solutions characterised by efficiency and by quantified costs and benefits. Where charities have taken grants or contracts with these donors, they have been further sharpened, focusing further on their triple bottom line impact measures. However, not everything NGOs do of value is measurable financially, and NGOs accepting such funding have also had to negotiate tricky relationships with

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[3] SDGs are the successor to the 7 millennium development goals agreed at United Nations in 2000.

generous but powerful donors whose own business practices they may also be challenging, for example poor labour rights in Nike and Gap's supply chains, or tax avoidance in Microsoft (Rhodes and Bloom, 2018).

Over the same period the economies of some poorer countries have grown, and many – especially in Asia and Latin America – have become of more interest as emerging trading partners than as aid recipients.

In the early 2000s, ActionAid led the way in recognising that it was untenable for a large INGO in the global North to hold all the power, or even that it could decide the appropriate answers to problems in the global South. They adopted a more 'International' structure with a global 'family' attempting to distribute power more evenly across country teams within their confederation. Most large INGOs have followed ActionAid's lead to varying extents. Few have gone as far as ActionAid in empowering country teams with decision making at board level. For some, like Plan, self-financing is needed before a seat round the table is secured. For most it's a hybrid qualification scheme, though the direction of travel is to more dispersed leadership structures in global networks that better recognise changing global power dynamics. Such structures do not, however, lend themselves to speedy decision making, agility, or simplicity − or make large INGOs easier to lead or manage.

Large INGOs have struggled, like many established large bureaucracies, to develop their capabilities, functions and structures to keep pace with rapid changes in the world, including technology, wider social demographic changes, and the greying of sector boundaries. The sands on which the sector was built have shifted. Many across the political spectrum believe that active citizens and charities are needed as much as ever, but that if INGOs cannot adapt to such disruptive change then they will not remain relevant or sustainable, let alone continue to influence in our fast changing world.

As a World Economic Forum (2018) describes:

> 'The Fourth Industrial Revolution will accelerate the introduction of game-changing technologies that will further empower consumers and enable once-impossible business models. The ability to respond to changing needs of the marketplace will be key to future success and implies material changes to the way organisations operate. Businesses need to re-invent themselves by establishing an agile and enduring enterprise in a highly disruptive world while also ensuring inclusive societies. Disruptive technologies, but also empowered ever-connected consumers who have higher expectations than ever before as technology and new business models provide many ways for them to discover, purchase and engage. Not only are consumers dictating exactly what they want, but they are embedding themselves at all stages of the value chain – acting as developers, marketers, salespeople and even employees. This is a fundamental change in the consumer value equation, amplifying historic drivers – cost, choice and convenience – and adding both control and end-to-end experience and have led to new emerging business models that can meet precise consumer needs. Instead of employing a discrete business model, businesses are increasingly operating more flexibly across a portfolio of models. No company can do everything in-house. Firms that were previously standalone will need to become "ecosystem enablers", where success is measured, in part, by the overall impacts the system produces. This ability will be dynamic, with the most successful companies continuously evolving what they do while making conscious choices about how they generate economic value'.

Though large INGOs will differ in purpose and values and employment practices to businesses, there is much INGOs can learn from this analysis and indeed from the more values conscious, multinational businesses who are also trying to keep pace with the challenges and opportunities of rapid change. Competition from digitally savvy platforms, in a gig economy that already employs more than 1.1 million (mostly young) workers in UK, cannot be ignored (Balaram et al 2017). They are changing work patterns, weakening workers' rights with more flexible but less secure contracts, changing customer expectations, and challenging business models.

UK charities also offer learning to INGOs in managing the opportunities and risks associated with holding and delivering more restrictive government contracts; managing the pressures of cost versus quality; and in balancing the increased reach and impact of managing such contracts versus the potential loss of voice and political capture.

Large INGOs can also learn from partners, donors, and one another − and need continually to listen to their front line staff and their clients (their beneficiaries and supporters) and to remain relevant.

Clients' needs and expectations are changing. In poorer countries, delivery of services by foreign agencies is needed less and less. It is only *in extremis* – in a major humanitarian disaster where no government could cope – that direct service delivery by international agencies may still be needed. Humanitarian response also has public support. As one Foundation leader commented: 'Even the Daily Mail thinks humanitarian response is OK. It's the politically acceptable role of INGOs'. But even so, there are calls for capable local organisations to receive funds in preference to foreign agencies for both political and practical reasons. Humanitarian aid can only ever be short term 'sticking plaster' in nature. Deeper political issues behind an increasing demand for humanitarian assistance, especially in response to conflict, have to be better addressed.

In more stable countries, and certainly in middle income countries, poorer communities no longer need programmes delivering services, so much as collaboration and solidarity on addressing the universal systemic issues of inequality, rights, and economic systems. They are challenged by an increasingly contested civil society space, and by realising the opportunities offered through digital technology. Social media was so successful in 'spreading the word' in the Arab Spring of 2011, enabling huge crowds to amass and bring down authoritarian governments, but it was less successful in any subsequent gains in political rights or in the status of women. In the most fragile and conflict affected states, such as the Democratic Republic of Congo, Afghanistan, and South Sudan, they may no longer be at war, but investment in the peace dividend has been insufficient. Poor communities' access to the most basic services or opportunities for realising their rights has remained woeful. This is also despite receiving aid for decades. These ideas are explored further in the options section later in the report.

Supporter expectations have changed. What the public think INGOs do and what they actually do is different. INGOs themselves have been keen to suggest that solutions are cheap and easy. They have portrayed local people as victims and external agencies are the heroes. They have not explained their added value clearly – more concerned to hide full costs, rather than being open about them. Greying of inter-sector boundaries and increasing expectations of more 'professional' INGOs emulating businesses has led to higher Executive salaries in charities, whilst their mission remains a call for justice. The public do not expect Charity Executives to be paid large salaries. They trust INGOs less and are less willing to give regular donations. People react to people in need directly as individuals, and do not want their money being taken up in 'administration' or lost in 'corruption'. They want to respond to their own individual interests, and connect emotionally to the story of change of real people. Agencies have been slow to take donors with them. Tackling poverty for the remaining billion multiply-marginalised people will require innovation that involves risks of failure, yet supporters do not want their donation wasted on failure. Few donors are convinced that their money is well spent on universal rights campaigns. INGOs need to be more open with supporters as well as innovative in order to engage supporters in ways that better meet their expectations.

D. What is the added value of large INGOs?

Understanding the perceived added value of INGOs, from inside and outside the sector, is critical to consider before thinking about how INGOs might want to change to remain relevant to their clients in this fast changing context. Those interviewed had some consistent and some different views. It's interesting to particularly note the difference in views

between Trusts/foundations and INGOs themselves. Whilst all agree there is value in the more systemic approaches that can be taken as a result of being global in reach with multi-mandates, not all agree that large INGOs are making best use of these attributes.

Added value of large INGOs	Pitfalls/challenges of being a large INGO
INGO views - (small and large)	
Widely recognised brand with reach and presence (e.g. shop on every High St) to remind people as they go about their everyday business of the injustice of poverty	'Monolithic/closed/impenetrable'. 'You have to know who to speak to and just get the run around' 'The INGO community is dominated by the large INGOs. They need to use their power more generously for the collective good
Ability to drive systemic change – as a global network able to make the links between lived realities on the ground and wider global system change e.g. Trade rules, supply chains, aid budget, affordable HIV treatment, … 'Small organisations can make a point very effectively, but only large INGOs can bring about change'	Arrogant/Patronising/Exclusive/self-referencing - Smaller NGOs are frustrated at BINGOs dominance and lack of collaboration. 'They talk down to us' 'They think they are the only ones to come up with a good idea' 'How come they all think their unique contribution is women's rights at the moment?' 'The practice in large multi mandate organisations doesn't match the rhetoric. Large INGOs default is that they are the answer, rather than looking for who else to partner with, or even have a better answer'
Able to better reflects people's lives – multi mandate means they can respond more holistically to complex lived needs of poor people, rather than focussing on one problem/target group. They bring broad knowledge, resources and learning and able to adapt to people's needs as the context/needs change.	Slow to realise they need to deliver less and less, and act as a conduit more and more
Intellectual ability for in depth exploration and analysis ... almost philosophical ...	... but this doesn't lend itself to running efficient compliant programme offices ...
Efficiency of scale (as perceived by 2 large INGO Chief Executives)	A lot of large INGOs think they are good at field management but they aren't. 'Those with more military backgrounds rather than community development backgrounds make more capable field managers'
Ability to take to scale and ambition – think big 'they really do think they can change the world'. Have track records of and capability to bring about change	It's hard to stop doing anything... 'it's easier to add another manager', hard to see what we are doing may no longer be necessary and hard to change

Can be brave and bold e.g. in holding Governments to account e.g. lobby act, covering national NGOs to enable them to speak out ...	... Contracting with UK/US governments can limit INGOs ability to speak out
Foundations & Trusts views	
Advocacy & policy work to hold duty bearers to account on rights, inclusivity etc. Big brands can do that in a way smaller orgs cannot.	'*Our foundation is supporting catalytic innovation. We do not work with large INGOs - more incubation centres, research institutes or directly with governments/business where if ideas are economically viable there is a route to scale*'
They can provide 'cover' and support to enable local organisations to stand up and speak out and take political action in threatening environments. As civil society space shrinks this is ever more needed.	Large NGOs are not nimble/agile. They are less sharp, less relevant short-termist. They have big overheads and are inefficient.
Large INGOS offer multi country, multi polar opportunities and an ability to think more systemically about how change can come about ...	... But they are not using their power to convene and enable collaboration. '*Large INGOs aren't mapping who else is working on issues, building alliances/collaborating to tackle systemic issues so coordination role seems to be slipping to donors to do instead. 'we are doing connective thinking then looking for partners to deliver*'. '*Large INGOs seem to think systemic change needs technical fix and politics is getting squeezed out*'
They have large brand, resources, skills pools	'*There is very little future thinking in evidence in relation to their own role – but these are very dynamic times and we are having to rethink our presence/role/structure as a foundation.*' '*Large INGOS seem to have their head in the sand*'

As in any large organisation, growth takes leaders at the top of the hierarchy further away from the interface with clients/customers. Growth creates its own internal momentum, demanding more structures and processes that take more leadership and managerial time, so taking leaders further away from the ground. As one Director put it,

'We are so internally focussed we cannot see the trucks coming. We get that the world is changing, but we struggle for this knowledge to influence us as it should'.

'Facebook has recently admitted that, as it has grown, it 'has not had the people on the ground in some of the highest risk areas to help understand how its platform might be used to create real risks of harm and violence'. As Joel Kaplan, Vice President US public policy, Facebook admits: 'staff are hired to create new tools, rather than imagining how those tools could be misused.' Recognising their lack of capability, Facebook see the solution in partnering and collaboration with organisations with experience and understanding of context and use/misuse with community, NGO and civil society groups globally'

(Igoe 2018)

As INGOs have grown so has the frustration of many long serving staff and volunteers with the inevitable management structures, strategy, processes and compliance 'getting in the way' of just 'doing' and of being creative and free spirited. In many large INGOs, business processes are developed to meet increasing compliance expectations without thinking through the impact it may have in disempowering staff at the front line. INGO interviewees were consistent in their views that business processes are anything but lean and need whole system reform. Increasing expectations on compliance (Financial, safeguarding, security of staff, anti-fraud, counter terrorism, aid diversion) are however leading INGOs to bring in more and more piecemeal compliance procedures, making it even more difficult to empower staff in network structures. Expectations similar to those in the business sector are much more difficult to resource in charities. HSBC can acknowledge that 10% of their staff work on compliance, but for charities spending 10% of donations on compliance, in addition to 10% on administration, is unlikely to be acceptable to supporters who expect all their money to go to the beneficiary. It is a real challenge for INGOs to design leaner business processes that meet increasing compliance needs and which donors are also willing to pay for. Similarly, institutional donors are keen to pass on risk to INGO implementing partners, but who also award contacts to lowest bidder. As Billis recognised 'We appear to have stumbled into a period of intense organizational hybridity in which we appear to be drifting up the (welfare hybrid) creek not only without a paddle, but also without a reliable map' (2010)

E. How are large INGOs planning for the future? What functional and structural choices have they made or are they planning?

All of those interviewed from large INGOs report that they are focussing almost all their energy on how to further exploit the present business models of grants and contracts, rather than on exploring new business model ideas. All report they are focussed on enabling their more networked international structures to work more effectively, empowering their country teams and/or enabling more country teams to become new members/affiliates. A minority mentioned innovation, and making use of opportunities arising from digital technologies.

> **ActionAid -** took the bold decision 15 years ago to move to a federated network, empowering independent country teams. Out of 45 members 29 are now independent country affiliates/associates. Senior directors interviewed believe the structure has allowed people of diverse backgrounds to participate in decision making. ActionAid has diversified away from relying totally on child sponsorship, with different models in each country. ActionAid members in emerging markets have a much bigger role, but interviewees also acknowledged that dispersed decision making is cumbersome, and takes much time and energy. Accountability and decision making in a network is difficult. For example, it is challenging for ActionAid UK's needs regarding the General Data Protection Regulation not to be seen as 'ActionAid UK reclaiming power' by the International Secretariat. Members are challenged to know how best to navigate and influence the network they've joined/become.

Large INGOs also report they are investing in fundraising in new markets e.g. South Korea, Thailand, Brazil, and Colombia or in programming countries themselves, and there is continued investment in capabilities to grow institutional income in new ways e.g. through tenders, or in the Gulf. There are some mergers or acquisitions, but they tend to be opportunistic rather than seeking our new skill sets (e.g. Plan/Intrax, Save the Children/Merlin). The majority mentioned how they want to get better at telling their story in order to communicate and engage better with the public.

Some of those interviewed commented on how they are very challenged by the tensions of compliance within their new, more empowered, network structures. They also commented on the increasing challenge and 'pragmatism' required when it comes to agree and implement advocacy campaigns across multi-national interests; the recent plight of the Rohingya refugees fleeing into Bangladesh, for example.

It was recognised that the digital revolution requires change in approaches in programmes. This includes information sharing, direct cash transfers, peer-to-peer support via mobile phone, as well as changes in their own practices such as donor applications, feedback mechanisms, online shopping. All are challenged to see the realities of how far-reaching the digital implications are for themselves, their clients and their supporters.

Few suggest that they are thinking beyond aid or beyond the current grant/contract business models with regards to function or structure, or realising the opportunities from their emerging networks and international structures. This was reinforced by the foundations I spoke to, who commented that they saw little strategic thinking in large INGOs in response to such significant disruptive external changes. They commented that INGOs each claim a unique added value, but that if they spoke to one another they would realise that they are all prioritising the same issues (for example, women's rights).

The medium/smaller INGOs interviewed wanted large INGOs to stop dominating the sector; to collaborate more on their agendas and to be less monolithic. They suggested that large INGOs need a more fundamental review of their historical assets against their purpose/mission and current relevance. They also suggested that large INGOs should not be afraid to challenge some sacred cows. For example: let go of some technical skills where others can do better; being willing to consider a reduction in income in order to focus on growing impact; testing the value of advisory services to local partners/clients in the global South by selling their services.

F. What can be learnt from other organisations on function and structural choices in order to be fit for the future? – Learning from digital organisations, multinational businesses, UK charities

Other organisations have developed different responses to the changing needs of their clients/end users and the different opportunities offered by times of disruptive change. This section explores what can be learnt from some digital organisations, values conscious multinational businesses and large UK charities.

New digital organisations

Some new platform organisations in the gig economy have grown hugely in the last five years. Businesses like Uber and Deliveroo enable transportation and delivery at the tap of a button and challenge more traditional employment norms and ways of working. The more flexible contracts they offer also challenge workers' rights and pass on risks. They operate at scale. Uber can be accessed in more than 500 cities around the world, while Deliveroo's presence is strong across Europe. Both are valued at over a billion dollars, and Uber's worth has been estimated at £55bn. Many digital organisations like Wikipedia, eBay or Skype have adopted so called 'leaderless structures', where customers are seen as engaged in the value chain, not merely serviced by it. 'Starfish organizations' (Brafman and Beckstrom 2006) are reputed to be changing the business world:

> 'If you cut off a starfish's leg it grows a new one, and that leg can grow into an entirely new starfish as opposed to traditional top-down 'spiders'. If you cut off a spider's head, it dies'.

They also describe how many companies and institutions, from IBM to the U.S. government, are learning how to incorporate starfish principles to achieve success.

The Nethope network analysed a number of new digital business models within the INGO sector (Snow 2017), to see what they all have in common. They include Change.org (a platform with c150 staff); Kiva (a platform lending $2.5 million in loans to mostly hard to reach women); NewStory (crowdfunding for 1,100 new homes built in slums since 2015); Digital Humanitarian Network (which uses volunteers to map incidents and needs); Charity Water (using fee per service cost modelling); Give Directly (where supporters money goes directly to beneficiaries, and where monitoring is locally outsourced). They identified that they all have the following in common:

- a digital core (platform based)
- customer/beneficiary centred
- a narrow focus e.g. one theme
- a focus on one/two parts of the value chain
- little or no use of institutional funding
- low centralised overheads (with only a few staff compared to scale)
- outsourcing of delivery to local partners
- leveraging crowdsourcing

Large multinational businesses

The level of disruption in retail businesses is unprecedented. IKEA describe it as 'total disruption demanding brutal rethinking'. 'Customers want to buy online, not in stores. They want individualised customer service and engagement, and they want their products delivered 'now''. Customers also do not want to buy products that are exploitative of people of the environment. Whatever you are selling – clothes, furniture or food retail – businesses are having to respond boldly to such challenge.

IKEA's business model is to make good design affordable to the many, by attracting customers to out-of-town stores. 80% of IKEA's business is through stores, 20% online. Within 5 years they are aiming to have 80% online and 20% through stores. They are confident that their size means they can continue to drive real change through their supply chain to increase sustainability, but they are less clear on how they need to change to make themselves more accessible. Their strategy is to acquire the skills they need through acquisitions, recruiting digitally-savvy staff who share IKEA's values, as well as challenging the mind set of existing staff.

Whitbread on the other hand have announced that they are fragmenting – selling off Costa and Premier Inn who 'will soon be businesses of sufficient strength, scale and capability to enable them to thrive better as independent companies. A separation will provide enhanced focus for each business, and give shareholders an investment in two high-quality businesses . . . Each business is now sufficiently developed and well-positioned to take advantage of the structural growth opportunities available to them in the UK and internationally' (Morrison 2018)

Sainsbury's and Asda, the second and third largest supermarkets, are in merger negotiations in order to compete with the market-leader, Tesco. Sainsbury's has undergone rapid change over the last decade, initially buying up land to open 'out of town' stores, then reversing direction, opening smaller local high street stores in order to continue to grow.

Glaxo Smith Kline (GSK) is a group of three businesses – consumer goods, vaccines and pharmaceuticals. Clinical trials, the most expensive part of the pharmaceutical and vaccines value chain, are contracted out: GSK pay others to take on the risk. All three businesses are run separately under a group so they can cross subsidise, enabling them to share the costs of global research and brand management, for example. In Asia where traditionally medicines from

the West were considered of higher quality, this advantage is now fast diminishing as local quality improves and as protectionism takes hold. GSK is making big changes in its Asia business in response.

The lessons from large retail businesses seem to be that you need to be agile and transform to compete in a digital, fast changing world. 'Make choices and change - just do not stand still' as one business leader describes. In systems thinking – you set off from the shore with a compass not a map. Your initial plan will need adapting as you continue your journey.

Large UK sector charities

Before 2010, many large UK charities held Local Authority contracts to deliver social care services on tight margins. This included children and youth services, homes for disabled people, health services, and services for asylum seekers and refugees. To minimise risk and administration, the UK Government and local authorities awarded contracts to only larger charities. Charity turnover had to be three to four times the value of the contracts. Large UK charities grew even larger but, as Government austerity measures were introduced from around 2010, and services were cut, private sector contractors were favoured as more efficient and effective partners to government. Private sector service providers in the criminal justice sector such as Serco and G4S were allowed to cherry pick the easiest to deliver services such as electronic tagging. UK social care charities faced tough decisions: to shrink, close or reshape or try to compete. The impact of these changes is still being felt. Fewer government services are being delivered. It is unclear whether the recent collapse of the private-sector service delivery giant, Carillion, will mean that charities may again be seen as effective partners to deliver Government services. It was interesting to note that NACRO was awarded a contract by the Ministry of Justice to deliver housing and support services for people in or at risk of entering the criminal justice system in March 2018.

Scope

Scope − the disability charity − made some bold strategic decisions in 2015/16. In reviewing their relevance to the UK's 13.5 million disabled people, Mark Atkinson, the CEO, took Scope back to their mission: to bring about social change and equality for disabled people. They realised they were spending most of their time, energy and resources on delivering services: 'subcontracting rather than changing the world' as Atkinson describes it. They were reaching small numbers of disabled people, with low levels of impact. They wanted instead to focus more time on working with disabled people to shift attitudes and beliefs in order to drive social change (learning from Stonewall and others involved in the struggle for LGBTI rights). They explored merger and closure options, but made the bold choice to sell off their assets, including the freeholds of schools, homes, 55 regulated services, and transferable local authority contracts. By April 2018 they had transferred all their regulated and day services, staff, and assets, to an experienced private sector provider who has agreed to invest, develop and grow them over the coming years. In transferring, they hope they have secured the future of these services.

It has meant an initial reduction in Scope's annual income by 40%, and the number of employees has reduced by two-thirds. Scope want to be known as a social change organisation— 'a force that brings us ever closer to everyday equality'. They focus on the areas in which disabled people face the greatest barriers, and have moved away from being a charity that 'does' to one that 'facilitates'. Scope is creating a platform that allows disabled people to drive change, directly offering a small suite of products and services that build resilience, skills and knowledge in 'the best start for disabled children', 'financial support and advice' and 'how to live the life I choose'. They will largely be delivered through digital channels, and will be centred on information, advice and support. At the same time, Scope seeks to influence public policy, change attitudes, disrupt markets and improve the structures within society, by ensuring that the needs and experiences of disabled people are front and centre in Scope. They see their direct offer

to disabled people and their influencing work as different sides of the same coin: inter-connected and mutually dependent. Their services will act as a demonstration of policy solutions in practice, and customers will provide insight, evidence and data to drive Scope's influencing. Financial pressures clearly played a part in forcing such a change. The charity's spending outstripped its income each year between 2012 and 2015, leaving it with a deficit of £2.4m by March 2015. Atkinson concludes 'It had become clear that the cost of doing nothing and trying to keep the organisation in broadly the same state was the big risk. There was no bigger risk than just staying as we were.'

The Children's Society

Three years ago, The Children's Society was dominated by running 70-80 children's centres. Following budget cuts and a review of what difference they wanted to make to children's lives by 2030, they developed a social impact framework: to break new ground, find new solutions that others can scale, and leverage policy change. They describe their change process as 'pivoting to the new Children's Society' This involved better understanding beneficiary impact; developing new solutions with blended finance; and better support engagement. Government contracts remain part of the mix giving The Children's Society direct contact with client groups to enable them to influence government service provision. Contracting is however limited to 25% of Children's Society's £40m income. This ensures that a dependency isn't created, and that the operational delivery agenda doesn't over dominate The Children's Society. This has meant significant structural change for The Children's Society: cutting core infrastructure as their contracting income fell; developing their partnership capabilities; testing new mechanisms like Social Impact Bonds as well as grants in their financing mix. Like Scope, the biggest change needed was in the mind-set of staff and in organisational culture. 'Freeing up staff so that they can innovate to deliver impact demands different skills sets, the ability to cope with volatility and uncertainty, to experiment and to co-create with partners' (CS Director). They too have had to bring new diverse experiences and skills sets into a new Executive Team and Board.

A number of UK charities have taken bold decisions, prioritising their relevance to their users over their size and recognising the opportunities that digital transformation can offer them and their clients

G. What functions and structure options emerge from the learning?

Learning from others there seems to be some tough choices that need to be made by large INGOs. All those interviewed from large INGOs mentioned the importance of a clear focus, but acknowledged the difficulty of deciding what to stop doing.
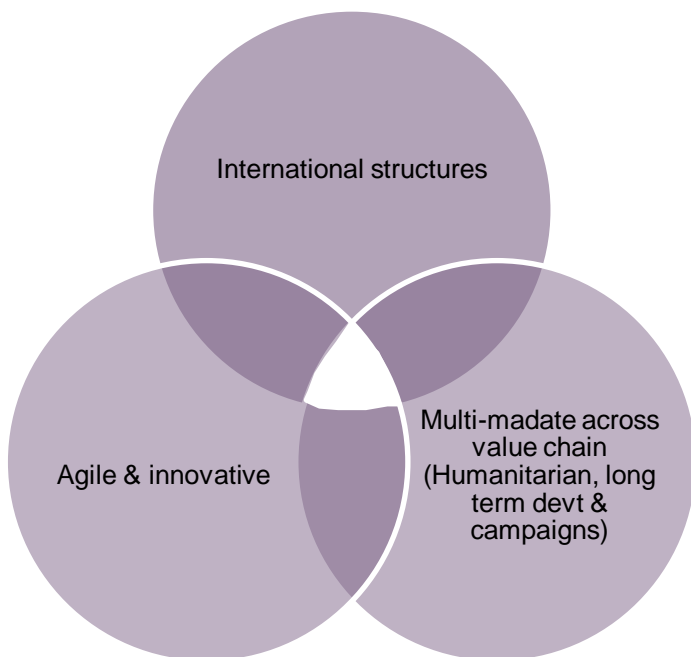
A key question to start with is to ask 'Can large INGOs be all things to all people?' – are international structures, multi mandates (Humanitarian, Development and campaigning, working across the full value chain from programme design to delivery) and being innovative and agile in our digital, challenging world compatible? Is this a trilemma where you have to choose two out of the three? At the moment large INGOs seem to think it is possible to be all three. Oxfam is one of the most successful multi mandate INGOs struggling to be international - but neither of these lend

themselves to being agile. WaterAid is single issue focussed, becoming increasingly international and is definitely more agile. There are plenty of local NGOs that are multi mandate and agile but by definition are not international in their reach or structure.

There may be a sweet spot in the middle for some of large INGOs work, but I would hold that there is very little in the sweet spot for any INGO. This trilemma may at last be helpful in identifying some tough questions to enable data to be mined differently to help make some tough choices. Do the gains from being part of an international structure or global family outweigh the challenges? What is the cost of the global family? Is it justifiable to supporters? Are you really the best at women's rights programming/ humanitarian relief? How do you know? What benchmarks can you use or develop with competitors to find out? What evidence and data are there that you use your global reach to best advantage and to scale what works?

Large INGOs also need to explore changing demand for their services - their functional relevance in each area of their multi mandates (see below). Whilst INGOs recognise this – they usually do this by exploring likely changes in demand independently. They find the benchmarking with others to understand their comparative relevance and added value a real challenge as there are few sector standards/benchmarks, especially in long term development.

Whilst form follows function, the learning from other organisations seems to indicate that function and structure can mutually reinforce or cause barriers to change. GSK is multi mandate (though not across all the value chain) and for efficient decision making is structured as a group. In order to increase independence and agility Scope and Whitbread have fragmented. Many organisations in the gig economy have more unbound structures enabling greatest agility.

The structural options that seem to emerge from the learning that large INGOs could consider are as follows:

i) Fragment

Where organisations split into smaller, empowered, more independent, more agile, more manageable business units. *(Examples include Whitbread, Scope, digital INGOs; Groups such as Dimensions, Coram Group, Virgin Group; PWC franchise model).* This can be achieved through either:

- **Selling off assets** to enable independent businesses to thrive and raise investment capital (e.g. Whitbread selling off Costa and Premier Inn, or Scope selling off its services and properties).

- Focussing only on the **part of the value chain** you do best (like Uber/Deliveroo) so not trying to do everything across all of the value chain yourselves

- **Becoming a Group** or franchise of independently run businesses, with their own Boards under one group brand, whilst being bound by brand values and rules (e.g. Dimensions, PWC). The gains from being part of the group or franchise must outweigh the losses (e.g. cost-effective shared business support services, brand association, reach/influence)

Pros:

Separate smaller businesses are more manageable[4] and more agile, enabling more innovation and specialism within each function. They protect one part of the group from asset risks in another (though not necessarily reputational risk). They offer the potential for a more efficient structure for a large INGO to consolidate its business support, compliance and financial risks; to facilitate opportunities for growth; and to build on the existing internationalisation of large INGOs.

Cons:

These structures are far more complex, and so take more time to make decisions. It is challenging to manage brand/reputation risk, the risk of association, and interdependent compliance. Complex matrix leadership is expensive, and requires significant investment. It can lead senior leaders to be very internally focussed. With growth, maintaining the group's culture becomes a challenge.

ii) Consolidate

Where organisations acquire the skills or assets needed to respond to change *(Examples include IKEA, Sainsbury's/Asda, Housing Associations, Help the Aged/Age Concern, Cancer charities).* This can be achieved through either:

- **Acquiring** organisations that have the skills/contacts/approach needed. *(For example, IKEA recognised that customers didn't necessarily want to assemble their own furniture so, instead of selling more ready-made furniture with increased shipping costs, they acquired 'TaskRabbit', a platform of local handymen who they could recommend to assemble IKEA furniture).* Or;

- **Merging** with others that have matching skills sets to gain scale or new skills or eliminate duplication. *(For example, Help the Aged and Age Concern merged in 2009 to become Age UK – both dedicated to improving later life, their combined effort increasing their scale, efficiency and influence.)*

Pros:

Improved financial growth and sustainability; enables organisations to acquire new assets/capabilities more quickly; enables more control of market share; reduces competition; is less confusing for end users/clients.

Cons:

Takes on historical risks (many unknown); loss of brand, especially for an acquired organisation; challenge to merge 2 organisational cultures; reduces consumer choice; makes large organisations even larger and harder to manage.

iii) 'Unbound'

Where organisations are not bound by traditional organisational boundaries. They provide platforms to enable others to connect, and add value through convening, triaging, or quality control: *(Examples include. Wikipedia, Airbnb, We Farm). This is more of a* 'reboot' or 'start again' option.

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[4] Robin Dunbar holds that 'in an organisation of more than 150 - people find it difficult to form relationships or maintain emotional connection

Pros:	*Cons:*
Makes use of a recognised brand, keeps agile, exploits gaps in new emerging markets	Requires different skills sets and mind sets and increased risk appetite. Innovation needs autonomy, risk taking and freedom to fail. Greater risk appetite might be difficult for bureaucratic INGOs under compliance pressures.

Different structural solutions could be applied to different INGO functions, more of a 'pick and mix' approach to change, rather than any of the more radical options being applied across the board. Whilst none of the large organisations I spoke to considered that it was an option to retain the status quo in our fast-changing world, and all considered making tough choices a necessity, not all thought they needed to change so radically.

H. What are the functional options for large INGOs and implications for structure?

Having a multi-mandate is a clear organisational distinguisher for many large INGOs, as well as a challenge to agility. A way into exploring whether large INGOs want to remain multi-mandate, is to understand the likely future demand and relevance of each interrelated function. It may then be an option to focus on only one or two of the functions of humanitarian and/or long term development and/or campaigns or advocacy. The next section summarises the likely trends in demand in each of the 3 mandate areas.

Demand for support in Humanitarian crises and global campaigning remains high and likely to continue growing. The opportunities from digital technologies are enormous, and so both functions need rapidly evolve and refocus. Long term development seems to be where there is the most challenge and the most radical change in demand as well as context. Change in demand is uneven with much of Asia developing faster than most of Africa.

Humanitarian response

Function:

With increasing conflict and the impact of climate change, demand for humanitarian response is set to continue to outstrip supply for the foreseeable future. The Grand Bargain[5] recognised that this demands significant change in practice by donors and aid organisations, who struggle to keep up with demand today. Key changes include: providing 25% of global humanitarian funding to local and national responders by 2020 (currently 1%); as well as gearing up cash programming (distributing cash rather than goods), cutting bureaucracy through harmonised reporting requirements, and investing in digital solutions.

Structure:

Humanitarian response is the most obvious business unit to fragment. With separate international humanitarian laws, UN protocols and guidance, different technical skills sets, processes, speedier modes of operating, humanitarian units may deliver more effectively for those in crisis if they were sold off or at least given more independence to operate in a group structure.

It is a sacred cow' in multi-mandate agencies that, in order to best meet affected people's needs, large INGOs need to work across the humanitarian/long term development divide to build resilience, disaster preparedness,

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[5] The Grand Bargain (2017) is an agreement between more than 30 of the biggest donors and aid providers, including the UN which aims to get more means into the hands of people in need.

national capacity and advocacy and a peace dividend. So it may be best for those in crisis in the short term but not the long term. In reality there is minimal shared learning between functions with different standards, benchmarks and external links, so they may both be better off with more separation and autonomy. However, the nature of response is shifting to more empowered local responders, with INGOs supporting national/local preparation by communities and local government, rather than NGO expatriate 'crack' technical teams. Skills in partnership development sit more with long term development experts. There is also a real challenge as to how humanitarian principles can be applied without addressing underlying causes of migration or an increase in conflict. Peace building and international governance solutions on migration are critical to reducing the need for humanitarian response. These may be good reasons not to split humanitarian response teams off all-together, but to find ways to give more autonomy and freedom into how to deliver clear impact targets through Group structures.

It is likely to be beneficial if humanitarian response teams keep their agency group name and brand association (e.g. Plan/Oxfam Humanitarian Response), but there may be more to be gained if they are then able to have the freedom to develop how they do things within their own systems and processes. New rules and protocols for accessing member/affiliate funding and fund management would need to be agreed, to allow agencies to continue to raise funds from their constituencies in times of crisis. A group structure could give Humanitarian response the freedom to grow in order to meet increasing need with more agility by operating as a separate business unit, but with agreed protocols and rules of engagement to bind the group together.

Global and national advocacy and campaigns

Function:

Demand for global and national advocacy and campaigns is also set to remain high, given the closing civil society space, erosion of political rights, and rise of populism, and with inequality continually undermining progress. There is demand from civil society actors in poorer countries for support from INGOs to enable them to better influence their own governments' policies and practices, but even more demand to link their lived national experiences to the global decision makers that impact them (for example on climate change, international trade rules, tax laws, and security)*. This support includes enabling local civil society actors voice to be heard directly in global fora, as well as building confidence, sharing tools and tactics along the journey. Two Foundations also mentioned the importance of large INGOs using the power of their brand and networks to provide 'cover' for local or national civil society in contested spaces, where international interest offers some protection and support to enable local organisations to operate and have a stronger voice.

With the rise of populism in Europe and US, INGOs need to reassess what's needed in their own constituencies too. One interviewee suggested that INGOs need to re-engage with their publics in a debate about what sort of world we want to live in - not an easy debate to have. Whatever the choice of focus of global campaigning, they need to focus on one (maximum two) profoundly universal issues (e.g. climate change/violence/inequality). The business case for global campaigning to be undertaken in alliances, coalitions and partnerships with others is so strong and needs to include the more arm chair activists in the on line 'clicktivist' agencies that have emerged, such as Avaaz and change.org. These agencies use digital communications and more individualised public engagement and are effective at garnering public support and pressure for petitions or lobbying. Few issues can be rectified or policies changed just by clicking to join a petition or campaign, however, so whilst INGOs need to become more tech savvy, they do not necessarily need to compete. They can collaborate to co-create campaigns, or seek to acquire a clicktivist campaign organisation to enhance collective, connective action.

Whilst voice and advocacy are both critical to the identity and values of INGOs, and to their approach to bringing about change, INGOs should recognise that they have less public and even less political support for this part of their mandate. Campaigning functions need to be focussed and use less resource more wisely in order to leverage more on the issues that really matter – building a consensus on universal issues.

Long term development

Function:

This is where demand has most changed, but also most diverged.

As poorer more stable countries' economies have improved, urban poverty is rising, yet much of the expertise in INGOs lies in rural and community development and in technical programme management. NGOs aren't needed to deliver services or programmes in more stable growing economies. If they are to remain engaged they more need to understand the politics and to support effective local agencies and local government. They need to adopt agile, adaptive approaches to respond to opportunities for change led by others to ensure that 'no one gets left behind' (Sustainable Development Goals 2016). They also need to support poor communities, to influence the global decisions that affect them locally – see above*.

At the other end of the spectrum, some abjectly poor countries remain fragile states where little has changed. In these contexts, large INGOs − in company with other actors − scratch their heads to know how to have any impact, let alone systemic impact. The recent UK Commission on State Fragility, Growth and Development (2018) may be an unusual coalition of politicians, academics and thinkers, but their report, as the recent OECD report (2018) on fragile states offers sensible, practical sets of priorities for all actors to gather round with national governments and people, and to come up with a collective coherent collaborative plan of action to realise a peace dividend, country by country. Where are INGOs in convening this? As aid is primarily aimed at reducing extreme poverty, then it is set to increasingly focus on fragile states. Poverty is set to continue to fall in stable settings but rise in fragile and conflict affected states where it is more difficult for INGOs to have impact. A way forward would be to work collectively in taking a whole-system approach, looking to test, learn and adapt differentiated innovative approaches to peace and security, and to invest in jobs as the reports recommend.

Large INGOs have been focussed on finding technocratic solutions to what are essentially political problems, and − with their pre-planned more traditional approaches − have been insufficiently cognisant of the impact of external changes on their users/beneficiaries. They need to listen more, become more focussed on impact, and led more by data and evidence. They need to take more advantage of digital technologies, with client-led platform solutions. They need to focus more on their added value in advocacy, networks and possibly advisory services to enable and support others, building or supporting coalitions.

Examples include:

- ***An innovation accelerator to enable social innovators to scale their ideas.***
  Many donors are investing in social innovators, but there is less investment into taking social innovators ideas to scale. There is an expectation that markets will prevail to take to scale, but in social innovation, governments do not always have the resources to take to scale and markets do not always prevail. The idea here worthy of exploring is of a platform using INGO networks and resources for scaling/replicating ideas that have been piloted already by entrepreneurs. Other resources could be attracted from social investors or crowd sourcing. The plethora of social enterprises finding creative sustainable ways to solve problems at community level at

both ends of its supply chain presents an opportunity to find new solutions at scale. As Kevin Starr (2018) challenges:

> 'The most urgent challenge in the social sector is not innovation, but replication. No idea will drive big impact at scale unless organizations—a lot of them—replicate it. And there are plenty of high-impact ideas awaiting high-quality replication. More than a few of them are backed by randomized controlled trial (RCT) results and all that stuff. It turns out that replication matters even more than innovation when it comes to impact at scale. Wait BINGOs, isn't that what you are good at? replication at scale? There's a whole bunch of little labs out there to feed ideas to you'

- **A certification body and standard setter that sets and monitors standards**
  e.g. of labour rights, policy implementation, equitable taxation policy and practice, scorecards to rate best business practice, equality indexes etc. Users could pay fees per service and annual reports could challenge on progress and gaps, praise champions and name laggards, using INGO brands as trusted sources and linking to activists and campaigning organisations where appropriate.

- **A platform for poor people to connect to one another to seek advice and learn.**
  e.g. We Farm: a Wikipedia-like platform to connect those seeking and offering advice perhaps with a chat box where INGOs could add value either by triaging the support requested, to ensure they get to the right person or contribute their own INGO's advisors time and connections. Such a platform would recognise the rise of direct citizen action and could get round 'unruly politics' in repressive regimes with restricted space

- **A platform to empower clients/beneficiaries directly.**
  The 'Trip Advisor' of the development sector, empowering beneficiaries/users to rate different INGOs services and to choose agencies they want to work with. Airbnb have started up a Humanitarian unit to match host communities to refugees through which clients can receive cyber currency to purchase services from an Airbnb vendor of their choice using donor funds – a much more empowering alternative or supplement to much more expensive camps for all concerned.

- **A platform to link activist beneficiaries and supporters directly.**
  A campaigning platform that could allow activists in one country to learn from and engage directly with activists and communities wanting similar change elsewhere to enable sharing, learning, and solidarity. It could facilitate ways for clients at both ends of the supply chain to engage more directly to solve problems, and then reflect back emerging trends and gaps, promoting debate in different ways.

- **A platform to share knowledge.**
  Using the huge knowledge and research assets that INGOs hold to offer and facilitate knowledge sharing through open, connected knowledge networks. This would also generate more evidence and data on what works and what doesn't in our data-poor sector, so enabling more benchmarking and better investment decisions to be taken by more globally connected users.

- **A platform to match demand with supply.**
  Enabling local/national NGOs to make their requests clear, and for those offering support to find new clients/customers. INGOs could then assess what support is available and what's missing, creating markets for new businesses.

The public is sceptical about the added value of INGOs in development programming. INGOs have failed to communicate the impact effectively over many years. Communications materials have tended to be too complicated and fail to address their concerns around corruption. To appeal to supporters effectively more inspirational, achievable

impact targets are needed − for example, Save the Children's 'no child should die of pneumonia'. Whilst grant funding is undoubtedly part of the mix especially in fragile states, in middle-income countries there are also more opportunities for exploring alternative more financially sustainable business models that do not rely on grant funding. This might include fee per service, platforms, franchising or social enterprise.

Structure:

The current structures in INGOs are staff and cost heavy– set up to manage and deliver long term development programming, manage the risks, funding etc. Many agencies have hugely expensive global, regional and country programme office structures. It's interesting to note that while a number of interviewees were already reflecting on the necessity of country structures, fewer mentioned global structures. Rockefeller Foundation are shutting their country offices as they see opportunities for partnerships with emerging national research institutes and innovation platforms in the global South. Care and ActionAid are currently exploring different country presence models (including virtual alternatives where country programme resources are invested in stronger more sustained local partnerships), but what of expensive global and regional structures too? A radical option would be to shut down all such structures and reinvest the resources saved to deliver completely different more connective or platform functions – making the most out of the brand, history, relationships and networks built. It could also be an option to merge assets as a sector - to map all the thematic knowledge and expertise, as the Humanitarian sector did some decades ago, use data to assess performance and agree who will take on which areas of long term development support, then merge resources accordingly.

The context in which large INGOs operate has changed significantly. Whilst much has changed for the better, and while new digital transformational opportunities abound, large INGOs are needed less to deliver basic rights to a few. They are needed more to take risks, and to lend − to the many − their global reach, thought leadership, and ability to challenge. Taking the bottom billion out of poverty and 'leaving no one behind' to achieve sustainable development goals will be a much tougher more contested challenge than overcoming poverty for the previous billion. INGOs need to think more radically to release the resources needed to invest in new ways of support in long term development.
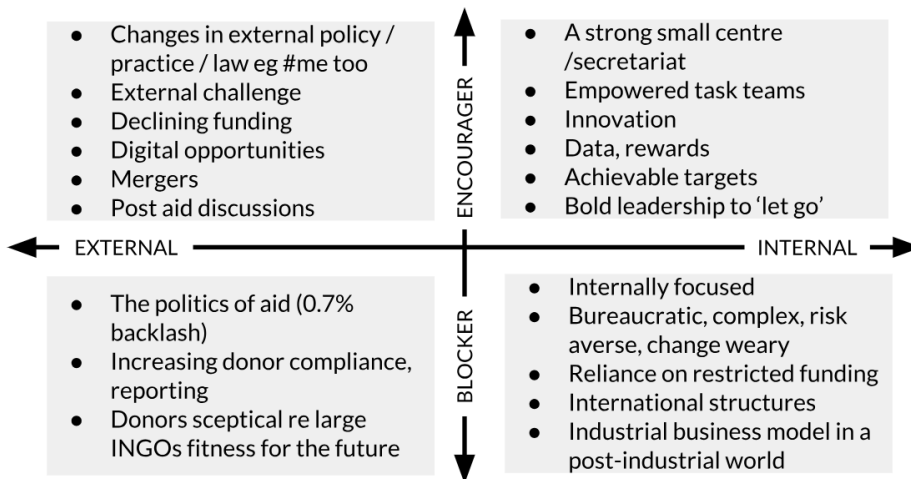
Summary of the structural v functional options for large INGOs

	Structure options		
Function	**Fragment** *Enabling smaller business units to deliver more independently E.g. Whitbread/ Dimensions* *Includes Group structures - tight on metrics, lose on how to deliver*	**Consolidate** *Merge or acquire skills you do not have. E.g. IKEA, Sainsbury's/Asda* *If applied to sector - Maximise collective impact – division of labour*	**Unbound** *Beyond organisational structures - platforms that enable others to do E.g. Uber, Airbnb, Wikipedia*
Long term development *Low Demand and changing demand*	Status quo+? Autonomous country teams that deliver as they feel appropriate within broad agreed framework. But how to drive change at scale – better data to support innovation investment or closure. How to achieve more systemic/global impact beyond community/country level?	- More centrally controlled, more limited menu of options to enable clearer organisational impact, shared learning, research, more global added value - Map BINGO capacities thematically. Merge different BINGO thematic expertise to take more collective sector approach - Close country offices and invest resources in stronger sustained partnerships. - Acquire organisations with new skills needed e.g. digital	- Platforms like We Farm, Trip Advisor, Airbnb or kiva that enable poor people to link to one another/ potential supporters to find solutions/ investment themselves - Innovation accelerator enabling social innovations to go to scale - Certification body and standard setter e.g. for business value chains
Humanitarian Response *High Demand but changing*	Independent Humanitarian business unit as part of INGO Group to achieve its impact target (25% of funding to local agencies by 2020) with freedom to determine how[6]. Set protocols for relationships with others in Group (countries/regions/ members/affiliates) and freedom to develop their own systems to meet agreed Group compliance needs	Acquire organisations with skills needed - Digital Humanitarian network, Humanitarian Airbnb, or national organisational development/partnership or peace building skills	Move to entirely digital platforms to use networks to enable support to be matched to demand . . . .given demand increasing not likely to meet needs in itself
Advocacy & Campaigns *High demand but changing*	Independent Campaigns and advocacy org as part of INGO group to achieve policy/practice change targets in 2/3 global campaigns. Support partners wanting to influence national policy and practice with freedom to determine how. Set protocols for relationships with others in Group (countries/regions/ members/affiliates) and freedom to develop their own systems to meet agreed Group compliance needs	- Acquire organisations with skills needed – change.org, Avaaz - Agree with other BINGOs what global campaigns are needed as a sector and where organisational capacity needs building and divide up labour for a more collective approach	-Create digital platforms and on-line support for national organisations. -Run advocacy and campaigns on line only

KEY:	recommended option		Possible option		not recommended

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[6] See appendix for sample organisation chart of Group structure

I. What's encouraging and holding back INGOs from changing?

ENCOURAGER

External:
- Changes in external policy / practice / law eg #me too
- External challenge
- Declining funding
- Digital opportunities
- Mergers
- Post aid discussions

Internal:
- A strong small centre /secretariat
- Empowered task teams
- Innovation
- Data, rewards
- Achievable targets
- Bold leadership to 'let go'

← EXTERNAL — — — — — INTERNAL →

BLOCKER

External:
- The politics of aid (0.7% backlash)
- Increasing donor compliance, reporting
- Donors sceptical re large INGOs fitness for the future

Internal:
- Internally focused
- Bureaucratic, complex, risk averse, change weary
- Reliance on restricted funding
- International structures
- Industrial business model in a post-industrial world

The majority of INGO interviewees were most animated with frustration when they described the blockers preventing them from changing. Whilst this report is focussing on the 'what 'rather than the 'how' of change, it is critical as a leader to really understand the blockers you will have to overcome and the encouragers you will need to dial up to make tough choices and make them stick. A lot of data emerged from the interviews on the blockages and encouragers that I have summarised in the chart. This is itself worthy of further research and analysis but the clear pattern that emerges was consistent – That there are more blockers than encouragers and the majority of blockers were internal i.e. within large INGOs control.

J. How can governance support change?

Internal Governance

Most of the interviewee leaders within INGOs and businesses felt that governance was either less relevant to enabling or leading change and innovation, or that it hindered organisational transformation. Most staff interviewed had to be prompted to mention the role of governance in supporting organisational change at all. They felt that Trustees/Board members rarely had the diversity of skills needed, were often too risk averse, and were over focussed on the present.

Those interviewed who were involved in governance roles, recognised the importance of charities innovating and being more entrepreneurial, but also felt that without core controls in place you couldn't 'let go' with confidence. They recognised there was often insufficient trustee attention and time spent on ensuring that the strategy is fit and relevant to the charity's mandate and their important role in guarding the mission, vision and values of the organisation.

As part time volunteers with limited access and five to six Board meetings per year considered as good practice, all felt that there were unrealistic expectations by the regulators of the depth that trustees can go to ensure compliance as well as the breadth they can cover in terms of mission, values and strategy. When Kids Company collapsed in 2015, the Chair of Trustees, as well as the Chief Executive, was held responsible. Those in governance roles felt that expectations in ensuring compliance and accountability were now set at unrealistic levels by the Charity Commission, the Information Commission and other regulators for the model and size of charities we have in UK. As Asheem Singh, former Chief Executive of the Association of Chief Executives of Voluntary Organisations says 'The principle that committees of volunteer trustees should run charities has been at their heart for centuries. But now that charities are spending tens of billions of pounds a year holding up key public services, this model is killing them…Trustee training is sensible, but ultimately the regulations need to change: charities cannot be governed by volunteers any more. Unitary boards would see more paid executives working alongside professional and amateur trustees, but the charity regulator makes this a bureaucratic and painstaking process.' (Singh 2017).

Reform of governance or shifts in expectations are clearly needed.

The House of Lords report on the charity sector (2017) concluded that the system of paid trustees, as in business world, feels less appropriate in the charity sector. On the continent, governance is a joint responsibility between the Trustees and the Executive. This seems more realistic, reasonable and practicable, to achieve better accountability and balance.

For INGO families there are a range of additional challenges, which no INGO family seems to have yet resolved with their large international Boards or General Assemblies, and with too few mechanisms to enable mutual accountability across different jurisdictions. As membership grows, the number of voices round the table grows, and Boards become unwieldy. Issues take too long to resolve, and the attitude that 'the International Board is about everyone else but not me' prevails. None of the large INGOs interviewed had defined plans to change their governance. They acknowledged that they were stuck with a limited range of effective models to follow, for example Security Council model (Five powerful permanent members with additional members elected from less powerful countries) or regional/continental representation options.

Large INGOs, like all charities, need a strong collective voice, especially in current challenging context. NCVO and BOND are sector membership networks who see their role as championing the contribution of their members and charities more broadly. Given the sector diversity it's not surprising that both networks struggle to have a strong coherent voice. In recent fundraising and safeguarding scandals they both found it difficult to find the right balance between distancing and defending, doing and enabling. They have a greater opportunity to assert their voice and added value to charities during tough times with great media interest, but this is precisely when this balancing act is most tricky to get right. The Confederation of British Industry and the Institute of Directors may seem more effective in the business sector.

External governance

The Minister for Civil Society, Rob Wilson MP, said 'In terms of supporting the sector, the most important thing that the Government can do is to make sure that we maintain an effective legal and regulatory framework for charities; and to promote, encourage and support civil society in a number of ways […] in essence, we want to increase social action, develop a culture of giving in this country, support a strong and diverse voluntary sector and empower communities to look after themselves' (Wilson, 2017).

The Office for Civil Society sees its role as supporting social investment, innovation, and an independent and capable voluntary sector. Charities are then regulated by the Charity Commission, whose attention − following significant budget cuts – appears to be more led by the media than by risk, and whose jurisdiction is UK. Large charities, including large INGOs report significant incidents or significant changes to the Charity Commission, such as mergers or the selling-off of assets, but CEOs interviewed commented how rare it was for the Charity Commission to follow up with further enquiries, even when these are in really significant risk areas for charities. Charities are also held to account by a range of other bodies such as Information Commission, Fundraising standards Board as well as institutional donors, but few INGOs, as with other charities, have found effective ways of being held to account by their less powerful users/beneficiaries. Oxfam and others have published annual accountability reports for over a decade, with the intent of being open and transparent, but this is used more by media to find stories to fit their narrative than it is by beneficiaries. Robust 360-degree accountability mechanisms need to be in place in all charities to enable accountability and learning, and to build trust with all stakeholders, but especially to build trust with and listen to their most important stakeholders – the clients they exist to serve.

K. Pathways forward/next steps

Given the disruptive nature of change from digital transformation, changed supporter and user expectations and the proliferation of business models in what is an increasingly challenging space for civil society, status quo does not seem a viable option to all those interviewed. The views on the degree of change required within INGOs is however more diverse. It also has to be acknowledged that it is rare for organisations to successfully reinvent themselves as the cultures and norms developed work and raise significant barriers to change. Large INGOs may therefore prefer to 'pivot' towards new visions. That is – finding approaches that offer large INGOs less radical wholescale change, but rather build their agility more slowly but purposefully so enabling them to realise some of the opportunities from disruptive change. I'm more challenging in this approach as a way forwards. Having led change agendas in a large INGO myself, exploiting the opportunities from current grant/contract business model so dominates most large INGOs, that 'more of the same' or 'growth' is what staff understand success looks like. It leaves too little room or resource for innovation and certainly doesn't help shift the mind sets or behaviours of highly motivated staff in our fast changing world. This requires inspirational vision with clear signals, consistency of message and alignment across the systems and processes that staff experience every day. There are however opportunities to use some of the current planning tools or build on current thinking that can edge large INGOs towards readiness for change. Some such pathways are outlined below:

Use a strategy process to review relevance and start a journey with clear vision and key milestones

For all UK charities I spoke to, one of the push factors for change was a contraction of funding, but they had also used this opportunity to drive a deep strategy realignment process. Mark Atkinson, Chief Executive of Scope, believes,

> 'There was no bigger risk than just staying as we were ... Our strategy has been described as radical, and that might be true in some respects. But every charity constantly challenge itself on its impact, value and relevance, and then have the courage to do what's right rather than what's easy?' (Atkinson 2017)

Use the networked, distributed international leadership models to drive empowered leadership through more explicit Group structures

Large INGOs have already idealistically edged towards the networked models advocated by the Wikipedias and eBays − albeit with great practical difficulty in retaining efficiency and effective agile decision-making. Their internationalisation processes may be idealistically sound, but their hybrid or 'pick and mix' approach to structures have led to slow (or sometimes stuck), hugely complex and frustrating structures which raise unrealised expectations on all sides. External challenge and review is needed, mindful of the dangers of continuing to be 'internally obsessed'. One interviewee suggested inviting in a Harvard Business School team with expertise in Group structures from the business world, or seeking to learn from Dimensions and Coram Group who are working with group structures in their NGO networks. More efficient decision-making is likely to require more devolved, more independent, more formalised 'Group' entities, and changes in Governance. Hierarchical structures need to be adapted to give a more equal power balance between Country or Regional teams & structures; Functions (Humanitarian, Development and Campaigns); and Members/Affiliates − perhaps forming members into continental groups to reduce their power (see appendix for a suggested org chart). Success in country programming needs to be judged by impact (and not just through the ability to best meet the needs of members), paying attention to resource flows and costs, perhaps achieving greater degrees of self-sufficiency through different business models. A more empowered Group Service-Provider would need to develop leaner, cost-saving, business support services. Leaders at all levels, including country and function, would

need more freedom to make speedy decisions, within agreed frameworks. An honest debate on power is likely to be needed to build trust, to enable more representation, speedier decision making by a smaller executive team/Board on behalf of the whole; streamlining for more cost effectiveness. Dimensions, the learning needs group, has invested heavily in relationship building and matrix leadership skills as a key part of their journey with some success over a number of years.

Drive collaboration with selective formalised partnerships:

There are opportunities to increase partnerships with increasingly thoughtful Trusts and Foundations. The top 300 UK Trusts and foundations gave away £2.9bn last year (Pharoah et al 2017). They are much better informed about what all the different players are doing than their grantees, and are increasingly convening actors around common ground: to share learning between partners, and to increase the collaboration and learning they see as being woeful in the sector. This is a role some Trusts think large NGOs should be playing. They are also increasingly collaborating with other funders to increase their own impact. They hold increasing power in the sector to shape agendas (though with little wider accountability). They have devoted technical expertise to negotiate with partners. They are strategy driven, very much led by their Chief Executives. Foundations do not want partners to 'pander' to their set strategy – they want integrity and debate arising from the priorities and theories of change of the NGOs themselves (Timms 2018).

There are some smaller agencies with *expertise in different financing models* such as Social Finance with expertise in impact-led Social/Development Impact Bonds; Spring Impact, which has expertise in social franchising, and Social Enterprise UK. Why not invite them to look over an INGO's portfolio, and suggest what might be suitable for more sustainable or blended financing models, beyond contracts and grants?

The experience of *smaller NGOs* is that large INGOs only want to collaborate on their own agendas, and not on the agendas of those smaller agencies. It may be more realistic to co-create common goals where there is sufficient complementarity. It was interesting to note that four of the INGOs interviewed felt that they had best practice technical expertise in women's rights, seemingly unaware of the other three claiming the same.

Partnerships demand investment; a commitment over time with flexibility; mutual respect; and sufficient complementarity. It also demands distinctiveness in the skills and attributes brought by each of the partners, so that the achievement of the whole adds up to more than the sum of the parts. Donors can play a key role in supporting collaboration rather than driving competition. In a recent prequalification call for interest from DFID for a small funding pot called 'Aid Connects' they simply asked who you would collaborate with in order to innovate in tackling some intractable areas of global poverty. Points were awarded for diversity of partner applicants. Getting the incentives right so it does not skew behaviours of partners and reinforce competitive behaviour is, however notoriously difficult. In campaigning there are past examples of sector wide campaigns like 'Make Poverty History,' where INGOs were pushing at an open door with the government in 2005, and where the campaign umbrella was big enough to allow for diversity. Whilst it was a nightmare to organise, oversimplifying solutions and was criticised by all partners for not fitting with their own specific views, it achieved much in galvanising public support for aid across the political spectrum, ultimately achieving legislation under a Conservative government that 0.7% of GDP would be spent on overseas aid. The Humanitarian sector has developed sophisticated coordination mechanisms, led by the United Nations and including large INGOs, where there is a division of labour and agencies focus on their specialist areas of technical expertise. Whilst this excludes many national/local organisations and small start-ups, it does enable partnership, collective action and collaboration during fast-onset crises.

Brutally focus within each area of mandate

'Doing less and doing it better' was an option that interviewees felt was practical to enable more focussed investment, and to make it easier to communicate clearly in order to grow public support. Such choices need to be made cognisant of others' areas of choice to ensure coherence and viability. Examples might include; campaigning on one or two key issues only; seriously investing in achieving one or two ambitious development goals; and freeing up time for more collaborative innovative 'unbound' ideas to emerge. Most INGOs already focus on one technical specialist area within the humanitarian system (for example, Oxfam focusses on water and sanitation, Save the Children focusses on education) This could also be applied to long term development programming which tends to be less focussed. This option would demand little change in structure, but is also less likely to lead to significant change.

Just stop all contracting

The days of contracts aren't yet behind us, but the funding landscape is changing fast. It is of course possible to challenge contracting's expected deliverables and costs, and to be more 'selective' in the contracts you bid for, but I would hold that in the present more negative political climate it is a time to be bold, to get ahead of the game, to release resource sucked into contracting business models to invest in the future. By their own admission, multi-mandate INGOs find it difficult to stop anything. The excitement, energy and freedom that could be released by stopping something first, before starting anything new, could energise INGOs and show confident leadership. If large INGOs (learning from their UK counterparts) took the strategic decision not to apply for time-bound Government contracts where INGOs have questionable added value over preferred commercial suppliers, they wouldn't have to recruit in the expertise needed to bid for, win, and manage contracts. They could choose to invest in the future, spending time and energy in digital transformation, testing learning and adapting on their way. Their income would reduce, and they would rely instead on public donations, fees for service, growing relationships with trusts and foundations, and new business models. Despite the loss of income, they are most likely to gain in influence, attract more diverse talent and develop the capacity to navigate the uncertain future.

In discussions many INGO interviewees felt this pathway was too extreme and unachievable and that the aid sector is different to the UK charity sector in its dependency and relationship. They see Government contracts that are jointly designed and mutually beneficial to INGOs and DFID as key to delivering good quality aid. In reality few contracts are of this nature and the risks of contracts failing or costing more are huge for INGOs (from exchange rate losses to poor pricing to staff security) DFID freely admits that they aim to pass on as much risk as they can to INGOs. INGOs need to more seriously look at the real costs both in terms of finance, risks and leadership and management time, but also in their ability to speak out when relationships with government are less favourable. In their search for real signals of their seriousness about change, this would be a golden opportunity that would make staff think they really meant it.

L. Conclusions

Making strategic choices on function and structure does not only depend on responding to the changing world and what your clients/supporters need from you. It requires deep reflection and understanding of your organisation identity, its values, boundaries and red lines, and relevance. It requires mapping what everyone else is doing, before you can identify your own value add and make tough choices. To implement any such change requires a deep understanding of the blockers and encouragers and how change really happens in your organisation.

There is still unquestionably much to do to achieve the mission of overcoming the injustice that is global poverty. Taking the bottom billion out of poverty and 'leaving no one behind' to achieve sustainable development goals will be a tough, more politically contested challenge than overcoming poverty for the previous billion. Poor people increasingly live in fragile conflict affected states (rather than China and India). The context and the means to achieve the mission offers so many more possibilities. If large INGOs are to remain relevant, they need to stop delivering basic rights to a few and lend − to the many − their global reach, thought leadership, and ability to challenge. They need to do so with the feminine traits that John Gerzema describes in his 'Athena Doctrine' (2018); with openness to collaborate and learn, building consensus, asking for advice, adjusting along the way - all in a spirit of solidarity.

This is easy to say in a report but incredibly hard to deliver, especially at a time when charities are under such extraordinary pressures politically and on 'compliance'.

It is a challenge for large organisations to successfully reinvent themselves with such established cultures and normative behaviours. The IBM case studies are rare. I do not think many of the INGO leaders I spoke to really believe they are under such existential threat. But the level of disruptive challenge would seem to me to require more radical change at least in long term development approaches than they believe.

Whilst each large INGO has to find its own way, each also needs to ensure they devote sufficient time and resources to exploring the next horizon whilst they are also under such pressure and when the current aid grant/contracting model is not yet so broken and can continue to be exploited. Is contracting really large INGOs' niche? I am not sure it is and unless large INGOs diversify and divest quickly, the disadvantages of their size will increase their irrelevance to make them the dinosaurs of the golden age.

It will require courageous, connected leaders to make tough choices on functions and then rethink structures, financing models, and people strategies, in order to deliver an agile organisation capable of continued learning and change. They will need to inspire, listen to and engage change weary staff and volunteers to drive and support change and to overcome the considerable blockages that stop change within their organisation too.

Form must follow function, but it seems to matter less what structure you change to - what really matters is that you understand your role and do not just 'sit there' when all around you is changing. Chief Executives in retail and charities both claimed 'There was no bigger risk than just staying as we were'. (Atkinson 2017 and IKEA 2018) They all advise focussing on your core mission and your relevance; use the data and to make choices; 'brutally prioritise'; Ask if you are best placed to be involved in all parts of the value chain. Who do you need to partner /collaborate with to achieve you mission? Turn your vision into specific do-able, communicable, actions that will deliver impact and develop the innovative space and listen to your customers.

No organisation seems to think it is moving fast enough to keep up with the pace of change necessary in 4th industrial revolution, but some like IKEA, advise us to: 'listen to and involve your clients/customers – they will tell you what they need – you just have to find creative ways of delivering it with them'.

It's a good place to start. How about sending Executive Teams and Trustee Boards to different countries with different supporters, and get them to ask both front-line staff and their clients three sets of questions:

1. What is the best thing you have seen any INGO do? (then go and see it and learn understand what change it is bringing about, why its valued)
2. What makes you frustrated or angry?
3. What will you need from us in the future?

Penny Lawrence, September 2018

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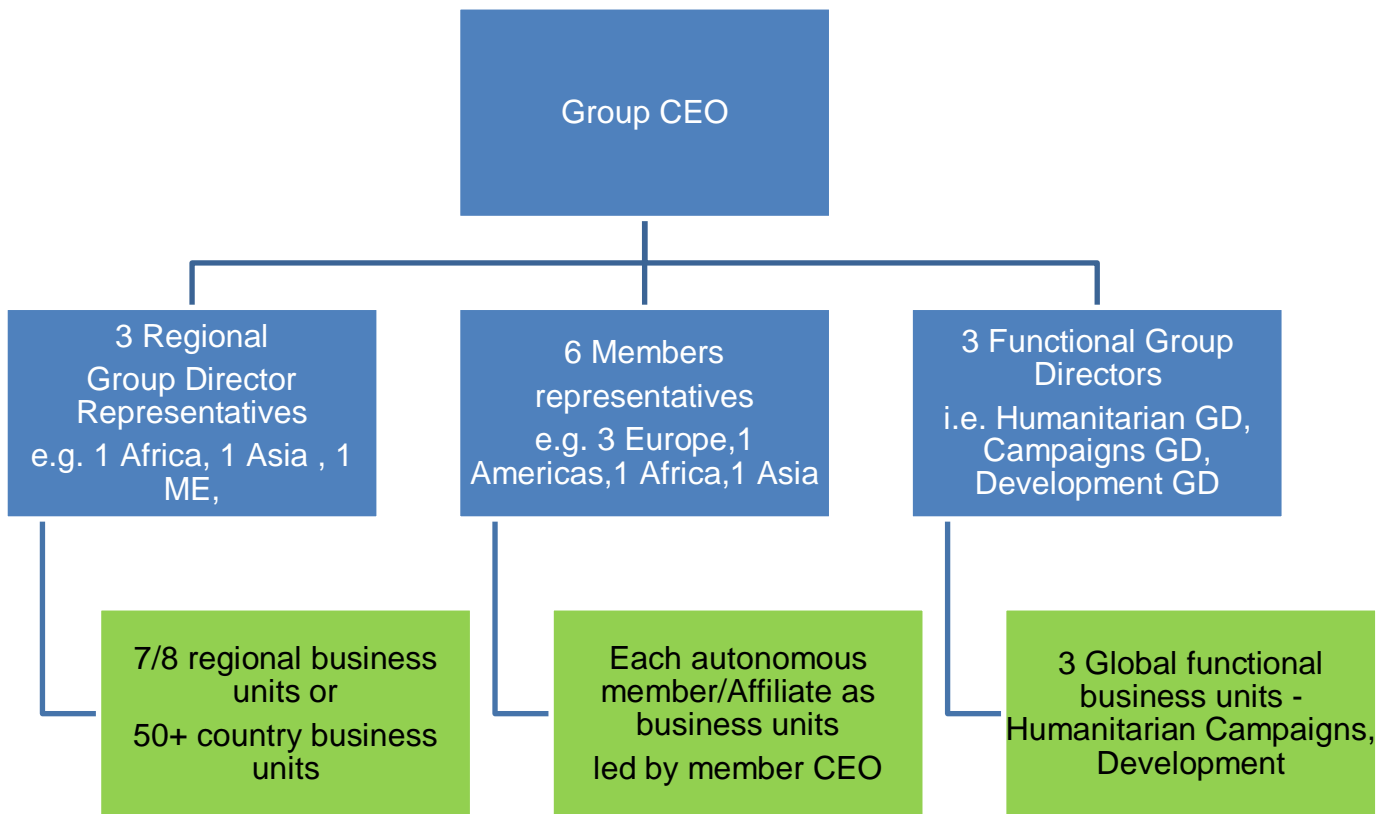
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Key

BLUE – Group Directors and elected/selected representatives from business units collectively decide on Strategy, impact delivery targets, accountability mechanism, issues resolution etc. as an Exec Board

GREEN – Business units decide on their staffing, resourcing and all decisions relating to their business unit

NB 1: Members/affiliates report to their Boards and dotted line report to Group CEO

NB 2: Governance /Trustees not shown to simplify

About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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Below the Radar

This research theme explores the role, function, impact and experiences of small community groups or activists. These include those working at a local level or in communities of interest - such as women's groups or refugee and migrant groups. We are interested in both formal organisations and more informal community activity. The research is informed by a reference group which brings together practitioners from national community networks, policy makers and researchers, as well as others who bring particular perspectives on, for example, rural, gender or black and minority ethnic issues.

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