

# Disruptive change and civil society organisations in the global South: innovating funder practice

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## Key points

- Major disruptive forces including climate change and urbanisation will change the development landscape in ways that demand new disruptive-change capabilities within civil society organisations (CSOs).
- Disruption is already a daily fact of life for many civil society organisations in middle- and low-income countries.
- A disruptive change lens brings new insights to intelligent grant-making at a time of heightened concern for the resilience of CSOs in middle- and low-income countries.
- Both responding to disruption and taking strategically disruptive actions are essential civil society roles.
- Funders should review their approaches so that they play the most effective role possible in supporting CSOs in middle- and low-income countries to get good at disruption.

## Key terms

**Disruptive change:** a positive or negative change within a civil society organisation, triggered by external or internal forces that exert lasting and significant impact upon the organisation's mission, values or ways of working

**Getting good at disruption:** the process of developing the skills, procedures and capabilities to address disruptive forces in ways that allow for development and implementation of organisational strategy on a sustained and evolving basis

## Summary

Civil Society Organisations (CSOs) in middle- and low-income countries (sometimes referred to as 'the South') are confronting multiple disruptive forces, from natural disasters and migrations to turbulence in the funding environment and shifting regulatory requirements. The resulting organisational disruption has profound implications for realising the Sustainable Development Goals (SDGs). Not only can it hamper the current effectiveness of these CSOs; it can also reduce their ability to address larger shifts in the development landscape through their own positive disruptive actions. Funders must do more to support CSOs experiencing disruptive change. Flexible funding, and grant decisions informed by a deeper understanding of the on-the-ground operational realities of disruption, are crucial to this.

## Disruptive change as a challenge for funders

Powerful and transformative drivers of change are influencing the landscape of international development. Demographic and geopolitical shifts, climate change, scarcity of natural resources,



urbanisation and technological transformation will all have far-reaching and deeply felt impacts. They will also disrupt existing organisations and ways of operating. This is disruptive change, and it demands innovation on a global scale.

Grappling with the challenges of disruptive change will be crucial to implementing the SDGs, adopted by world leaders from all members of the United Nations in September 2015 to guide a global agenda for action through 2030. The key commitment woven into the SDGs to 'leave no one behind' will not be met if CSOs in middle- and low-income countries are themselves left behind as a result of disruptive change.

For many CSOs in middle- and low-income countries, these are already turbulent times, with volatility and uncertainty a daily fact of life. The significant worry is that the urgent too often prevails over the important, hampering civil society efforts to prepare for bigger shifts on the horizon. This could prevent CSOs from realising their roles as positive disruptors, in the very places where disruption affects the world's most vulnerable people.

Over the past year and a half, IIED has been talking to leaders of CSOs in middle- and low-income countries about their experience of the organisational impacts of disruptive change. The increasing frequency and intensity of disruptive impacts from two external sources in particular stand out: funding turbulence, and shifting (too-often shrinking) operating spaces for civil society. Not only are these changes disruptive in themselves, but they also significantly exacerbate the negative impacts of other disruptive forces.

The intensity of existing disruption, coupled with the major shifts that lie on the horizon, create an imperative for deep reflection on grant-making approaches. Part of the response must include increased emphasis on support for organisational skills, systems and capabilities within CSOs.

Some funders are already exploring what this might look like in practice. The Ford Foundation is one major civil society funder that has explicitly linked an increased emphasis on institutional grant-making with an awareness of the increased pressure on the civil society space, and on the imperative to help CSOs to be more resilient. Similarly, it is also no surprise that the Open Society Foundations, whose *raison d'être* is to support a vibrant civil society, have a dedicated Grant Making Support Unit working to build internal capabilities for a greater grant-making emphasis on support of organisations and sometimes of their leaders.<sup>2</sup> Project or programme-based funding too often overlooks the foundational importance of these capabilities, or tacitly assumes that they will be nurtured and sustained through other processes.

*"We want to add to existing philanthropic knowledge about what it takes to build strong civil society organizations, and we want to do so meaningfully. In particular, we seek to better understand the kinds and levels of support that will make a critical difference to an organization's overall health and resiliency, and at what stages in its life cycle."*

Darren Walker, President, Ford Foundation<sup>1</sup>

## Why support CSOs in middle- and low-income countries?

There are plenty of reasons for funders to support CSOs in middle- and low-income countries. One that is fundamental is a belief in the inherent value of civil society in any flourishing society, including in its organised forms. The ability to respond to disruption and lead innovation is an essential function of civil society. This makes it vital to consider the ability of more organized forms of civil society to support people affected by disruption – even in times of change and uncertainty for civil society itself.

The work of CSOs rooted in middle- and low-income countries is invaluable in amplifying the voices of ordinary people – and doing so on a lasting basis. CSOs are often close to the places where big

<sup>1</sup> Ford Foundation, Equals Change Blog, June 2016: <https://www.fordfoundation.org/ideas/equals-change-blog/posts/putting-ford-forward-into-action/>

<sup>2</sup> New Executives Fund: <https://www.opensocietyfoundations.org/about/programs/new-executives-fund>

disruptive changes are first felt. As a result, they are often in the best position to pioneer innovative ways of tackling them.

The term ‘disruptive change’ can mean different things to different people. Dr Debapriya Bhattacharya, one of IIED’s Southern CSO leader interviewees in our disruptive change initiative, suggests that in lay terms the essence of a disruptive change is, ‘Life won’t be the same again’. In business management, ‘disruptive change’ refers to a shock that quickly and irreversibly changes a company’s expected future, challenging existing business models, values and norms.<sup>3</sup> In the context of civil society and international development, however, the term has been applied more broadly to encompass major drivers of change that gradually disrupt the international development landscape as well as distinct drivers of change that affect development organisations’ operations.

It’s important to recognise that a disruptive change for one CSO might be no more than a minor event in the peripheral vision of another. One organisation’s negative disruption may also be another’s force for growth and innovation. For funders, this means that disruptors of all kinds – from changes in leadership or board membership to technology shifts or natural disasters, for example – need to be factored into any dedicated approach to supporting CSOs as they ‘get good at disruption’.

## What does it take for CSOs in middle- and low-income countries to get good at disruption?

IIED’s disruptive change initiative has been looking into how CSOs in middle- and low-income countries can ‘get good at disruption’ – or rather, how they can get *even better* at developing and implementing organisational strategy on a sustained and evolving basis.

A strong body of existing literature describes the sources and impacts of organisational disruption.<sup>4</sup> Very little of this, however, addresses the experiences of CSOs in middle- and low-income countries. Even less addresses the skills and capabilities involved in effective disruptive-change management. Yet ‘getting good at disruption’ is at its heart about developing organisational skills and capabilities, and the internal processes that accompany them.

For CSOs facing disruption on an ongoing basis, getting good at disruption isn’t about controlling disruption but about finding their way alongside and within disruption. Getting beyond reaction – or even adaptation – to achieve innovation, by contrast, can provide CSOs a route to a future that is in their own hands.

IIED’s conversations with leaders of CSOs based in middle- and low-income countries have also led to several tentative, high-level hypotheses about some interlinked organisational characteristics associated with being ‘good’ at disruption:

- ‘Distributed’ leadership: a non-hierarchical approach in which everyone in the organisation is empowered as a leader in one or more areas.
- An organisational ability to nurture, enhance and fully deploy the internal skills base.
- Organisational culture that empowers everyone.
- Commitment to organisational learning and the use of foresight.

Whilst these characteristics might be among the distinctive markers of a CSO that is more likely to be ‘good at disruption’,

*“Adaptation is dancing to somebody else’s music. Innovation is composing and playing your own music – and having others dance to it.”*

Alfredo del Valle, Chile

*“Disruptive innovations, if not nurtured in the right way, fall flat. A lot of things are being developed, but there aren’t the right mechanisms for taking them forward.”*

CSO leader, SE Asia

*“There is a vast field of innovators... who can help us to move forward, to use disruption not as something to fight against but as a stepping-stone for the transformation that is needed.”*

Mariteuw Chimère Diaw, Cameroon

<sup>3</sup> Christensen, Clayton and Michael Overdorf (March–April 2000) Meeting the Challenge of Disruptive Change. *Harvard Business Review* 78(2) 66–76: <https://hbr.org/2000/03/meeting-the-challenge-of-disruptive-change>

<sup>4</sup> See our review in Buckley, Lila and Halina Ward, *Getting Good at Disruption in an Uncertain World: Insights from Southern NGO Leaders*, Working Paper, IIED, London, 2016: <http://pubs.iied.org/11505IIED/>

they are neither exhaustive nor sufficient. Adopting a disruptive change perspective doesn't, for example, reduce the relevance of governance or financial management systems to an organisation's effectiveness. But it can provide a new set of building blocks for intelligent, targeted, high-quality grant-making at a time of great concern about the resilience of CSOs in middle- and low-income countries. Funders could usefully ask whether their own strategies and practices accelerate or hinder the development of 'disruption-ready' characteristics in their grantees.

## Innovating funder practices

Access to resources is essential for the survival of CSOs in middle- and low-income countries, but these resources can do more than simply allow them to survive. Allocated effectively, funding can enable Southern CSOs to thrive despite uncertain times. Too often funding practices inadvertently present barriers to getting good at disruption. Interviews with Southern CSO leaders offer insights into how effective funding practices can catalyse disruption-readiness.

**Fund flexibly:** Organisational flexibility is one of the key demands of an effective disruptive-change management approach. For CSOs, whether flexibility exists or not is partly determined by leadership style and organisational culture. But financial resources are also a key determinant. And the financial resources available to many CSOs for investment in the skills, capabilities and processes to get good at disruption are extremely scarce.

Funding for CSOs needs to facilitate transformation in the face of disruptive change. Access to unrestricted funding or dedicated organisational development support is invaluable for CSOs trying to get good at disruption. These funding approaches allow investment in organisational capabilities and learning processes. They build – and build on – trust. They enable a variety of flexible strategic processes within CSOs that give space to longer-term perspectives and foresight beyond the urgent clamour of short-term concerns. Most importantly, they help CSOs to set their own course and to realise the full extent of their own agency.

**Explore whether becoming a proactive supporter of 'disruption-readiness' requires new capabilities:** An emphasis on disruption-readiness is likely to demand investment in a grant-maker's internal skills and capacities, in order to enable a greater emphasis on judgments about organisations rather than projects or programmes. There is no one-size-fits-all approach, and some of the 'disruption-ready' qualities on our tentative list are more challenging to foster in some settings than in others. Distributed leadership, for example, is not a management style that is readily aligned with cultural values in some parts of the world.

**Review intermediation:** Funders that support international NGOs could begin to reflect on these grantees' approaches to supporting partners experiencing disruptive change. As a start, funders could provide explicit incentives for financing provided to international NGOs for learning or organisational development to be shared with CSO grantees in middle- and low-income countries. Funders could also consider developing flexible grants for international NGOs to provide technical support, on request, to CSOs in middle- and low-income countries. This approach would reverse the direction of established contractual flows from North to South.

Funders distant from on-the-ground realities might also consider the potential for engaging more closely with community foundations in middle- or low-income countries as re-granting intermediaries. This is an area with great 'disruptive change' potential with a rapidly evolving community of practice.<sup>5</sup>

*"There needs to be greater investment in developing institutions: organisations need space to develop their value proposition, a vision of where they want to go — and they need help delivering it. Projects can kill organisations when they make us lose our strategic focus."*

Lina Villa-Córdoba, Colombia

*"What is impossible to fund is transformational planning... You just can't fund 'organisational jumps' through project funding."*

Nicole Leotaud, Trinidad and Tobago

*"On the parts [of the grant that the Northern NGO is] subcontracting, [the Northern NGO keeps all the funding for] all the systems and learning and overheads. They're only giving us the project funds."*

CSO leader, Kenya

<sup>5</sup> See in particular the work of the Global Fund for Community Foundations: <http://www.globalfundcommunityfoundations.org/>

**Invest in shared learning:** Different types of funders – from corporate and private foundations to bilateral donor agencies accountable to governments – will respond to disruptive change in different ways and at different paces. But there is plenty of scope for shared learning on the internal skills and capacities needed, and on emerging best practices.

Shared learning could usefully extend to CSOs in middle- and low-income countries as well. It's clear from IIED's conversations that their funding environment is rapidly changing – but unclear what it's transitioning toward. This places a premium on organisational qualities of adaptability and resilience, including when it comes to fundraising choices. Funders can help by supporting learning processes for CSOs in middle- and low-income countries.

## The bigger challenge of transformative change

For CSO leaders involved in IIED's disruptive change initiative, early discussions on the funding implications of disruptive change have led naturally to a bigger question of agency: what approaches to generating financial resources in the global South have the best potential to catalyse positive transformational change?

For funders, an explicit focus on supporting disruption capabilities among CSOs in middle- and low-income countries holds the promise of more and better locally grounded and self-directed transformation. That's something surely worth investing in.

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