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Humentum's Annual ERA Index:

The Journey to Equitable Development

humentum

About the Report

Creating a development sector that shares power fairly, where all parties are held accountable, and where the work is resilient, is a journey as much as it is a destination. The journey will require a shift in how international non-governmental organizations (INGOs), national non-governmental organizations (NNGOs), and funders work and how they think. We picture this interdependence between the three stakeholders as a "three-legged stool". When one leg of the stool wobbles, the entire stool shakes. When one falls down, everything collapses.

But how do we track such shifts? And how much progress is currently being made?

In 2022, Humentum used our newly formalized theory of change and first annual Equitable, Resilient, Accountable (ERA) Index survey to begin to shed light on these questions, focusing on one leg of the stool — INGOs. Often holding space between funders and NNGO stakeholders, INGOs hold an enormous amount of power to maintain the status quo, or to lead the way towards sector-wide transformation. And so we began there.
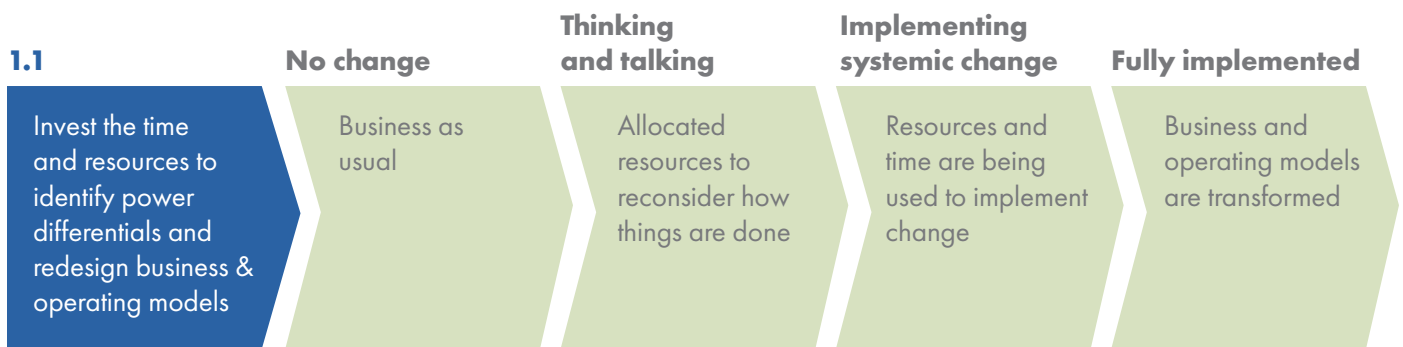
The data (including anonymous survey respondent comments) shared in this report is from the 2022 ERA Index. The insights shared are the culmination of the many convening and collaboration efforts Humentum embarked on with its INGO community in 2022. On December 1, 2022, over 100 executives attended an Executive Summit in Washington, DC to discuss the key findings of the survey and what it means for the development sector as a whole. In addition, throughout the year Humentum hosted 130 roundtables and webinars, including a locally-led webinar series attended by over 2,000 people, and two working groups focused on equitable compensation and locally-led development. (You can read those insights and recommendations in the Policy Blueprint.)

What follows is a snapshot of where we are on the journey, so far, and our thoughts on how to keep moving ahead.

Equitable, resilient, and accountable development starts with equitable, resilient, and accountable (ERA) operating models.

ERA Index

The ERA Index is a self-reported scorecard that allows an organization to assess its progress, using Humentum's 12 levers of change to provide a snapshot of organizational journeys towards equitable, resilient, and accountable operating models*. In October 2022, senior leaders of INGOs were asked to assess their organization using the scale below.

1.1	No change	Thinking and talking	Implementing systemic change	Fully implemented
Invest the time and resources to identify power differentials and redesign business & operating models	Business as usual	Allocated resources to reconsider how things are done	Resources and time are being used to implement change	Business and operating models are transformed

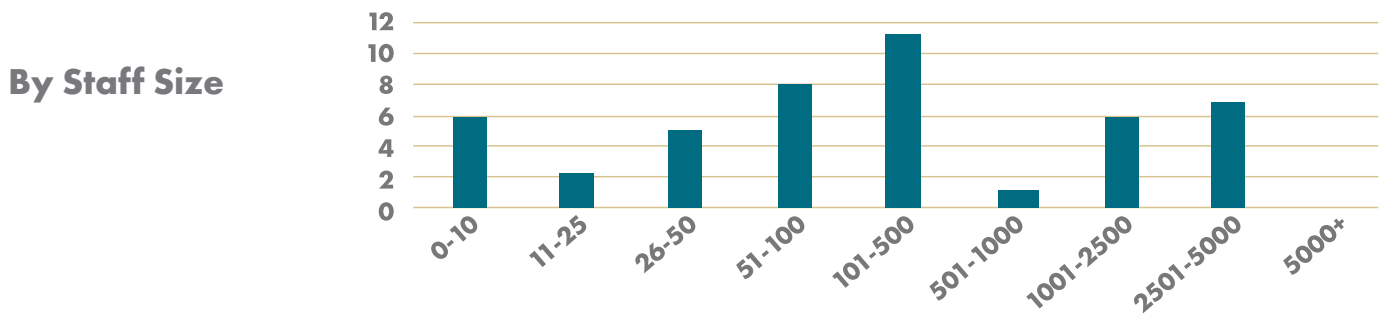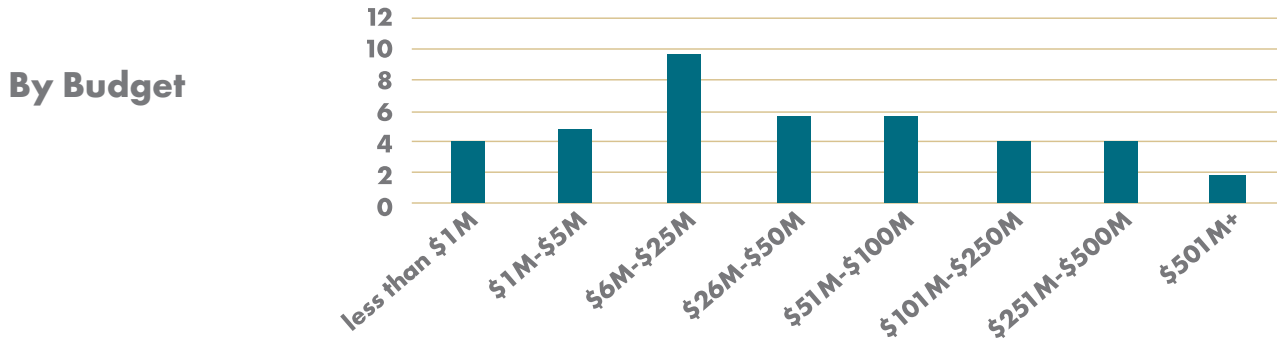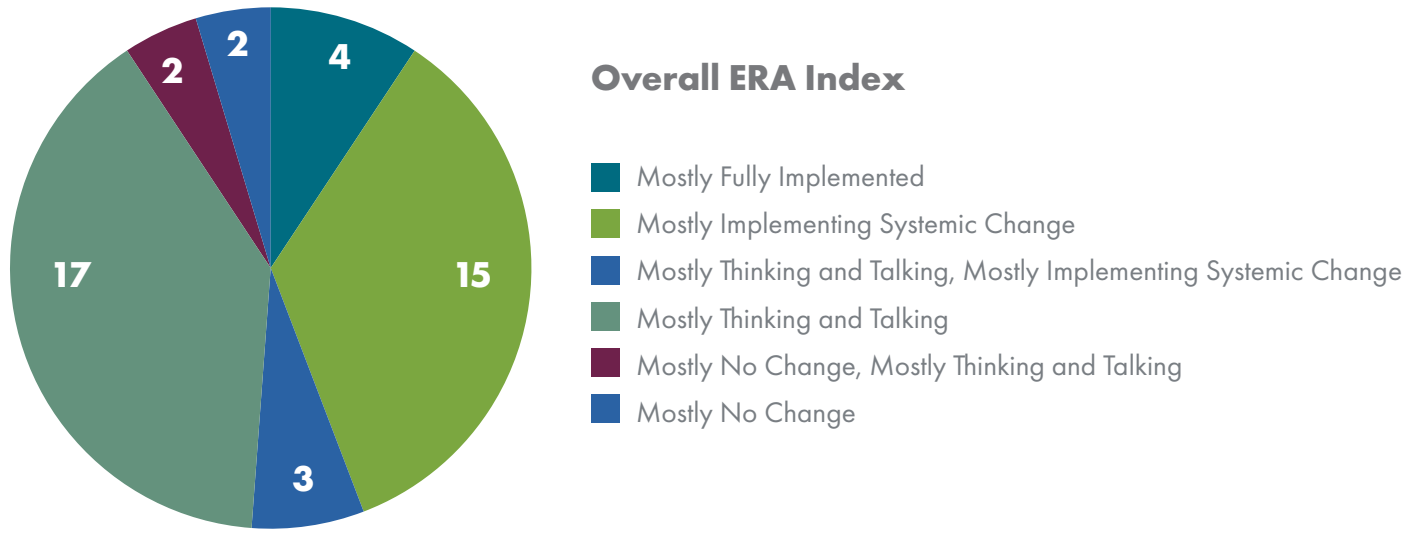## What is ERA? How an organization does its work should be:

- **Equitable:** everyone at an organization has access to the same treatment, opportunities, and advancement
- **Resilient:** an organization is able to prepare for and appropriately respond to unexpected shocks and highly changeable environments
- **Accountable:** an organization can communicate consistently what is being done to reduce risk and how it is being done

* There is no single right way to achieve ERA operating models and there is no end to the process. Each organization's journey is their own.

ERA Index Demographics

41 international NGOs (INGOs) completed the ERA Index in 2022

Overall ERA Index

- Mostly Fully Implemented
- Mostly Implementing Systemic Change
- Mostly Thinking and Talking, Mostly Implementing Systemic Change
- Mostly Thinking and Talking
- Mostly No Change, Mostly Thinking and Talking
- Mostly No Change

By Budget

By Staff Size

Theory of Change

Equitable and locally-led development only happens when organizations exercise autonomy over their institutional architecture, people, funding, and risk.

Humentum is part of a movement for equitable development. Our role is to guide organizations on their journey towards greater equity, using our unique space in the sector to provide applied tools and resources for transformation. We believe that:

- There is strategic value and potential in operations; not as "back-office functions" but as drivers of transformation.

- Global development is built on a highly inter-connected inter-dependent framework of Funders, INGOs, and NNGOs.

- To transform the sector, we must recognize and address the role of each in the bottlenecks that hold us back from being ERA.

- Organizations must be able to exercise autonomy over how the work is done. This means owning and making their own decisions around their structure, funding, people, and risk.

- Equitable, resilient, and accountable operating models deliver on the vision to create equitable, resilient, and accountable global development.

Power will shift when funders, INGOs, and NNGOs focus on these 12 levers of change.

INSTITUTIONAL ARCHITECTURE

The system and structure of the work.

IA1 Invest the time and resources to identify power differentials and redesign business & operating models.

IA2 Strengthen leadership and governance capabilities to be agile, equitable, and change-ready.

IA3 Decentralize authority over design, execution, and accountability to those closest to the work.

PEOPLE & CULTURE

Who does the work and how we work together.

PC1 Rethink which roles and responsibilities sit where and recruit accordingly.

PC2 Adopt equity-oriented compensation and benefits.

PC3 Prioritize investment in the professional development of local staff.

FUNDING & FINANCIAL SYSTEMS

How the work is funded.

FF1 Ensure everyone has strong policies and systems in place for financial mangement, cost recovery, and fundraising capabilities.

FF2 Commit to and require full and fair coverage of project-associated administration costs.

FF3 Ensure organizations have a diverse income base that includes unrestricted funds to build their reserves.

RISK & COMPLIANCE

Accountability for the work that is being done.

RC1 Adopt a trust-based compliance approach that shifts the sector from risk transfer to risk sharing.

RC2 Invest in building accountability structures and organizational capability to identify and manage risk.

RC3 Commit to harmonized due diligence reporting and audit procedures.

Examples

What does this change look like? What could an organization do to make its operations more ERA?

INSTITUTIONAL ARCHITECTURE

- Decentralize decision-making and resources
- Equity, resilience, and accountability are embedded in an organization's culture, training, and learning
- Make sure the people closest to the work have a seat at the table
- Prioritize co-creation with partners

PEOPLE & CULTURE

- HQ is no longer location-based; it is role-based
- Change staffing structures and roles to reduce hierarchy, share power, and delegate authority
- Offer fair and transparent salary and benefits packages, including compensation salary scales and approaches
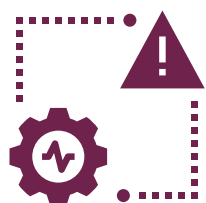
FUNDING & FINANCIAL SYSTEMS

- Ensure clear understanding of full cost recovery for your organization
- Have a cost recovery policy in place
- Commit to request, require, and/or flow down full and fair coverage of costs
- Prioritize moving beyond project-to-project funding to more unrestricted funding

RISK & COMPLIANCE

- Acknowledge existing assumptions about risk
- Build long-term equitable partnerships
- Commit to request, flow down, and/or require simplified compliance (e.g. financial reporting)

RESULTS SNAPSHOT:

Where are INGOs on the journey?

This first ERA Index allowed us to test and confirm (or further question) what we've been hearing across the sector regarding INGO transformation and power shift.

Here's what we found:

1. **Most organizations are making progress and currently are somewhere in the 'messy middle'.** 81% of respondents are either considering or implementing change, with 42% implementing some changes in a deliberate, systematic way.

2. **The most change is seen where organizations have the most autonomy.** 63% are making changes to decentralize authority within their organizations and 49% are changing staffing structures and roles, whereas only 36% are adopting a trust-based compliance approach or committing to full and fair cost recovery, respectively.

3. **How we make change matters.** The majority of change is being driven by INGO leadership, with 91% indicating executive teams are driving change. At the same time, nearly 80% of senior leaders say that no one group is resistant to changes toward equitable development. And yet this does not align with what we see and hear. Being honest and deliberate about the role of change management and individual mindset shifts will be crucial to success.

Making Progress & the Messy Middle

INGOs are moving from talk to action. In the last year, INGOs have gone from recognition that power needs to shift to taking substantive and specific actions.

56% of senior leaders surveyed indicate that they plan to make significant operational changes in the next three years.

And yet what that means is that we are in the 'messy middle' – no longer viewing the path from a safe, distant vantage point, and not yet able to see the finish line, such as it ever may be.

> *Equity is messy and it's hard. The journey will be long and difficult to end up with the change we want to see."*
>
> **Ennie Chipembere, Director, Locally-Led Development, Humentum (Executive Summit speaker)**

In other words, the mechanics of doing change are hard. Some of the challenges leaders will encounter in this 'messy middle' include the tensions between:

- Business as usual vs transformation
- Incremental change vs fast change
- Inclusivity vs efficiency
- Long-term vision building vs staff retention and attraction
- External imperatives vs internal priorities (e.g. climate crisis vs equity)
- Privacy vs transparency

> *We have spent needed time unpacking the tainted legacy of the organization and have come through the other side stronger in our commitments, policies, and actions to ensure the rights of the people and communities we serve."*
>
> **Survey participant**

More Autonomy = More Progress

Currently, the INGOs taking action toward equitable development are making changes in areas where they have control, and where there is least resistance.

For example, INGOs are making progress on decentralizing decision-making and resources (areas where they have relative autonomy) but are adhering to more standard financial and compliance approaches (areas where they are often constrained by funding and regulations).

Areas with Autonomy:

Institutional Architecture: 56% are investing the time and resources to identify power differentials and redesign business and operating models.

- This means findings ways to decentralize authority – de-centering the US and traditional voices of power. This can look like moving to a fully globalized structure, reallocating decision-making and budgetary authority, and finding ways to bring in more voices to leadership conversations.

- There has been a clear shift in the conversation from the last Humentum gathering where DEI was a more US or HQ focused conversation, rather than one embedded across the organization and woven into power shift and locally-led initiatives.

People & Culture: 82% are reconsidering or changing staffing structures and HR policies.

- The idea and practice of what is HQ changing from location-based to role-based.

- More job openings are for global hires, with an increasing degree of salary transparency included on job descriptions.

- This is affecting where senior leadership roles are being hired and is causing INGOs to evaluate (and at times grapple with) equity in compensation and benefit plans.

> *We need to work on solving the problems within the existing structures without waiting for it to change."*
>
> **Kelly Saldana , Vice President Systems Strengthening and Resilience, Abt Associates (Executive Summit speaker)**

> *Focus on how to allocate resources and structure the organization to support "power with" instead of "power over."*
>
> **Survey participant**

> *We no longer use the term "HQ". We are thinking of many senior positions as being location neutral."*
>
> **Survey participant**

Areas with Less Autonomy:

Funding & Financial Systems / Risk & Compliance – In both of these areas, organizations are working towards what has been traditionally called operational excellence – strong policies and procedures to strengthen financial systems and identify and manage risk. However, when it comes to changing how we traditionally work – committing to requiring full and fair cost recovery or shifting from a mindset of risk transfer to risk sharing, INGOs are still very much in the thinking and talking phase. For example, 58% are doing the work to build a picture of what true full cost coverage looks like while 47% are talking about what changes are needed to share risk and build more trust-based relationships with staff and partners.

> *This is an area where our donors are rigid so, as an INGO, we struggle with how to be more flexible with our partners when the donors aren't flexible with us."*
>
> **Survey participant**

The reasons for acting may vary and include values (it is the right thing to do), sustainability (it is the smart thing to do), or optics (everyone else is doing it). INGOs voluntarily transforming of their own accord raises long-term questions of sustainability. Can this trend be maintained in the absence of funder-driven incentives for change? Without full autonomy to make decisions over things like funding and risk, or new regulations to incentivize changes, how much can INGOs achieve on their own?

For right now, organizations are asking themselves, consciously or not, what is within my sphere of control? INGOs should be collectively asking, what is within our sphere of influence?

How We Make Change Matters

Many leaders indicate that while change is happening, resistance amongst staff is not apparent, or is minimal.

So are we really good at change? Or are we not listening hard enough? Decades of research would say that people do initially resist change, and that new ways of working are adopted at different rates.

Currently, the majority of change is being driven by executive teams (91%). And yet, the transformational changes required will impact everyone. When asked, respondents indicated that 82% of HQ staff and 73% of Country Office staff are all actively contributing to/participating in change. (Note: only 42% of Boards are actively participating.) Getting good at the process of change, therefore, will be as important, if not more so, than the change initiatives INGOs choose to undertake. This will involve:

- **Leadership skills.** INGO leaders must know how and what to prioritize, be able to articulate why the change is important, and maintain the right pace of change, balancing between making meaningful progress without causing staff change fatigue from doing too much, too fast.

- **Communication skills.** The ability to communicate change transparently, in a way that fosters a sense of shared commitment and ownership is often easier said than done. Transparency will mean admitting that leaders may not always get it right, and being open about failures.

- **Recognition of the power of individual mindset shifts.** This includes being able to identify and manage passive resistors, not just active voices.

In addition, to maintain their relevance and avoid being performative, change initiatives must constantly be assessed and reassessed through the lens of equity, resilience, and accountability. In other words, development professionals must ask themselves: is what we are doing equitable? Is it resilient? Is it accountable?

Equitable means everyone has access to the same treatment, opportunities, and advancement

- What are the unintended consequences of the tests that INGOs are currently making? What new power dynamics might be created?
- Who should be part of the conversations?
- Language – what words are used and is there a shared understanding/usage of them?

Resilience is the ability to adapt and adjust

- What are the creative solutions to get around the barriers?
- How do we celebrate success without penalizing failure?

Accountable is the ability to communicate good stewardship of resources

- What are INGOs holding themselves accountable to? How? And to whom?
- Are good intentions enough? What responsibilities do leaders have to their staff and stakeholders?
- How do we educate and train our boards?
- How are INGOs talking to their partners about these big ideas and changes? Is there a feedback loop with all stakeholders?
- What do we mean by risk sharing? What does it mean for each actor?

# Moving From Incremental Change to Exponential Transformation

Through a year of collaborating, convening, and collecting data, a picture is emerging of a diverse landscape of international development and humanitarian organizations that are on the same journey, but not necessarily walking together. There is general consensus that making shifts – ranging from small to radical – to promote equitable and locally-led development is the right thing to do. There is evidence that these changes are happening, and in substantive, deliberate ways. And yet, what will success look like? What will it feel like? When in the messy middle, it is hard to see where it all leads.

As INGOs continue on their journey, it is worth remembering that the very act of shifting power will create new power dynamics. What will be the intended, and unintended consequences of operational changes in the short, medium, and long term?

There is broad consensus that collaboration and communication are two ways to mitigate negative unintended consequences of change. This means that INGOs cannot work in a vacuum to effect change and transformation. Spaces for open discussion and practical action will need to be created for INGOs, NNGOs, and funders to meet on level ground and co-create the future state of the sector together.

In the year ahead, Humentum will be leading and supporting initiatives that catalyze transformation. And we will continue to hold space for INGOs, NNGOs, and funders by hosting webinars, roundtables, and working groups. We will continue to measure progress, and evolve our trainings and consultancy to offer practical help.

This is a collective journey towards equitable development, and everyone must play their part.
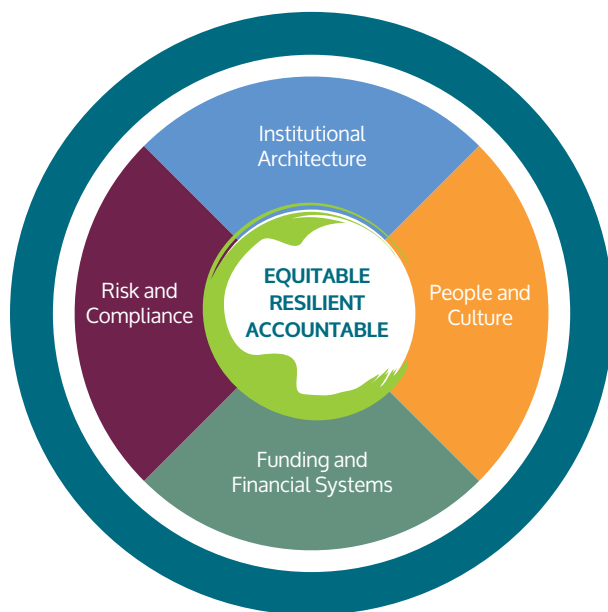
Next Steps for Leaders: Guiding Questions for Transformation

What questions should INGO leaders be asking as they continue on their change journey? What is certain is that there is no single route ahead. But if we are all grappling with the same questions, at least we know we are all on the same map together, even if our journeys each look different.

Institutional Architecture

On identifying power differentials

- Are the right people in the right room for the right conversations?
- What is our succession plan for key roles?
- Is the proposed change actually shifting power? What will it look and feel like?

On redesigning how we work

- Are we being true to our mission and values?
- Who do we want to be? What kind of people do we want to work here?
- How can we continue to demonstrate value? Is there a role for us, and what is it?
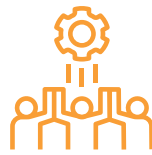
People & Culture

On where roles should be located and how they are recruited for

- Is this role aligned with / will it advance the organizations strategic objectives?
- Can the function be performed anywhere?
- Is there local talent available at this location?

On equitable compensation and benefits

- What does equitable compensation mean? What does fairness look like?

On prioritizing the professional development of local staff

- Is professional development scalable? Sustainable? Accessible?

Funding & Financial Systems

? On strong polices and systems

- What are our non-negotiables for policy?
- As we move to decentralize, how do we adjust our budget process?

? On full and fair cost coverage

- How much do we subsidize? What is our tolerance level?
- How do we sustain ourselves if funders don't fully cover our costs?
- How do we hold ourselves accountable to our stated goals and values, such as promises to support and invest in local partners?
- How do we flow unrestricted funds to partners?
- What do partners need to know for full cost recovery?
- What do we need to know about our partners' cost models?

? On diverse income base

- If shifting power affects our finances negatively is that a bad thing, if the mission impact is deeper?
- How do we find donors that align with the mission?
- How do we balance reserves and unrestricted?
- What is the cost of seeking unrestricted, or diverse, funds?
- How do we help partners address financial health?

Risk & Compliance

? On trust-based compliance

- Have we done a risk assessment? What do we prioritize?
- What does risk sharing look like?
- How can risk be included in the design process?
- How do we 'accompany', or really partner?

? On building accountability structures

- How do we balance internal accountability with external accountability?
- How do we make accountability transparent?
- What do accountability systems look like for partners?
- How can we make processes transparent for partners?
- How do you build equity and mutual accountability with partners?

? On harmonized due diligence

- What metrics are we using? What standards?
- How do we get sectoral buy-in?
- How can risk and compliance professionals think proactively and collaboratively?
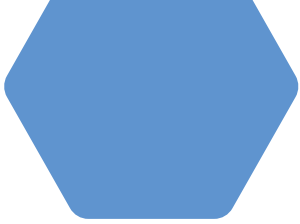- What are INGOs holding themselves accountable to? How? And to whom?

Humentum unlocks the strategic power of operating models for social good organizations. We focus on practical solutions to improve the effectiveness of finance, people, risk, and compliance processes. Equity, resilience, and accountability are at the center of our approach.

Our years of experience working with hundreds of global development organizations translates into deep understanding and better results. We strengthen your organization through:

- Individual, group, and organization training
- Expert consulting delivered by professionals with years of global experience
- A robust membership community for peer-to-peer networking, resources, and problem-solving
- Dynamic advocacy to address the sector's most pressing operational issues

Get involved:

- Become a member to learn, collaborate, and co-create with peers facing the same challenges as you. Don't go on this journey alone!

- Attend monthly webinars featuring thought leaders debating the policies and practices of locally-led development.

- See how Humentum can help you achieve your goals, from staff training to strategic transformation. Email client@humentum.org.

- Learn more about the strategic role of operations in equitable development or by following us on LinkedIn.