

Report

The nonprofit capacity crisis

Nonprofits today face systemic gaps in support.

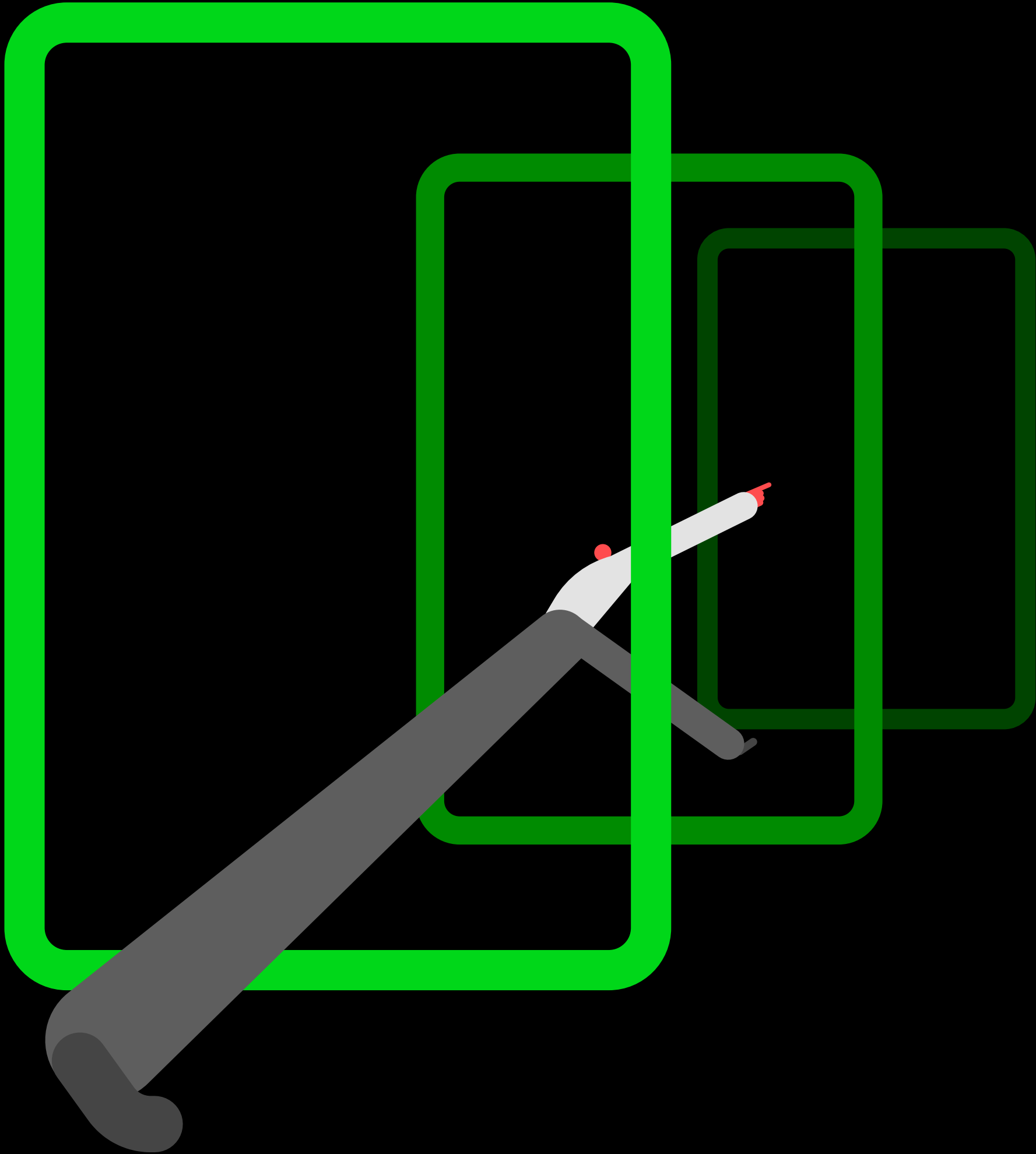
What are they?

Sage



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The nonprofit capacity crisis

Around the world, nonprofits play a vital role in strengthening communities, tackling inequality and responding to complex social challenges. Yet as demand for their services continues to grow, many organisations are under increasing pressure to deliver greater impact with limited resources.

Recognising this challenge, Sage Foundation, which acts on Sage's mission to knock down barriers for underserved communities, commissioned research in partnership with SLR Consulting to explore the challenges facing nonprofits today.

The research was guided by three key questions:

- What are the core operational and organisational capacity challenges facing nonprofits today?
- How are nonprofits currently supported, who provides that support, and where are the gaps or opportunities for intervention?
- Where could Sage Foundation's next programme fill gaps and create meaningful impact?

This report reveals the capacity challenges faced by medium-to-large sized nonprofits in the United Kingdom, United States, Spain, and South Africa.

To answer our three key questions, the project combined desk-based research with targeted interviews and surveys.

Leadership reflections

Helen Devanny

Vice President of Sage Foundation



“The barriers facing nonprofits today are not isolated problems- they reinforce one another in ways that can trap organisations in cycles of under-investment and instability. Our latest research in partnership with SLR Consulting reveals that nonprofits are facing systemic, persistent, interconnected gaps in capacity.

The findings point to the importance of a holistic, sustained approach to capacity building that supports nonprofits across multiple dimensions of organisational strength. However, access to this support varies significantly by geography.

Sage Foundation has been knocking down barriers in our communities for more than ten years through initiatives like Sage Foundation Grow, a strategic program that helps small and medium-sized nonprofits multiply their impact by focusing on leadership and capacity of their organisation. This new research is vital in helping us to determine where to direct our resources in the future, and how the Foundation can continue to create lasting impact where it matters most.”

Our key findings

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The challenges facing nonprofits

Our research identified four critical gaps facing nonprofits today.

1. Financial resilience and funding models remain the most fundamental barrier to organisational sustainability. Nonprofits are overwhelmingly reliant on short-term, restricted grants that limit their ability to build reserves, invest in infrastructure or plan beyond a single funding cycle. In Spain and South Africa the situation is particularly acute, with few unrestricted funding options and minimal financial planning support available.

2. Workforce capacity, talent retention and staff wellbeing are under severe strain. High turnover—particularly in specialist roles—combined with burnout from heavy workloads and emotional labour, as well as limited professional development pathways, are affecting workforce stability and threatening service continuity across the sector. Our respondents highlighted retaining skilled staff as being among their greatest ongoing challenges.

3. Leadership, governance, and board development are consistently underpowered. Boards are frequently inactive or disengaged, succession planning is often informal or absent entirely, and governance weaknesses leave organisations ill-equipped to manage risk or plan strategically for the long term. Existing support in this area is largely template-based and one-off, rather than tailored and sustained.

4. Operational infrastructure and digital capabilities represent the most frequently-cited capacity challenge, with technology and digital tools ranked number one. Many nonprofits rely on outdated or fragmented systems that slow service delivery and increase administrative burden. Despite growing awareness of AI's potential, most organisations lack the infrastructure, skills or funding to begin digital transformation.

The four Cs

- The capital challenge
- The connections challenge
- The coaching challenge
- The capacity building challenge



Mapping nonprofit needs

The challenges facing nonprofits fall into four overarching, interlinked themes, which together shape an organisation's ability to grow, adapt and sustain impact.

These key capacity gaps align closely with what we at Sage Foundation call the Four Cs: Capital, Coaching, Connections and Capacity Building. Each 'C' addresses a core area of nonprofit needs. While macro-level changes can deepen impact, these are all systemic challenges that exist regardless of external changes.

Our findings show that while the intensity of these challenges varies by organisation and geography, nonprofits across all of the regions studied face challenges centred around these themes, with coaching and capacity identified as the areas where nonprofits need the most support.



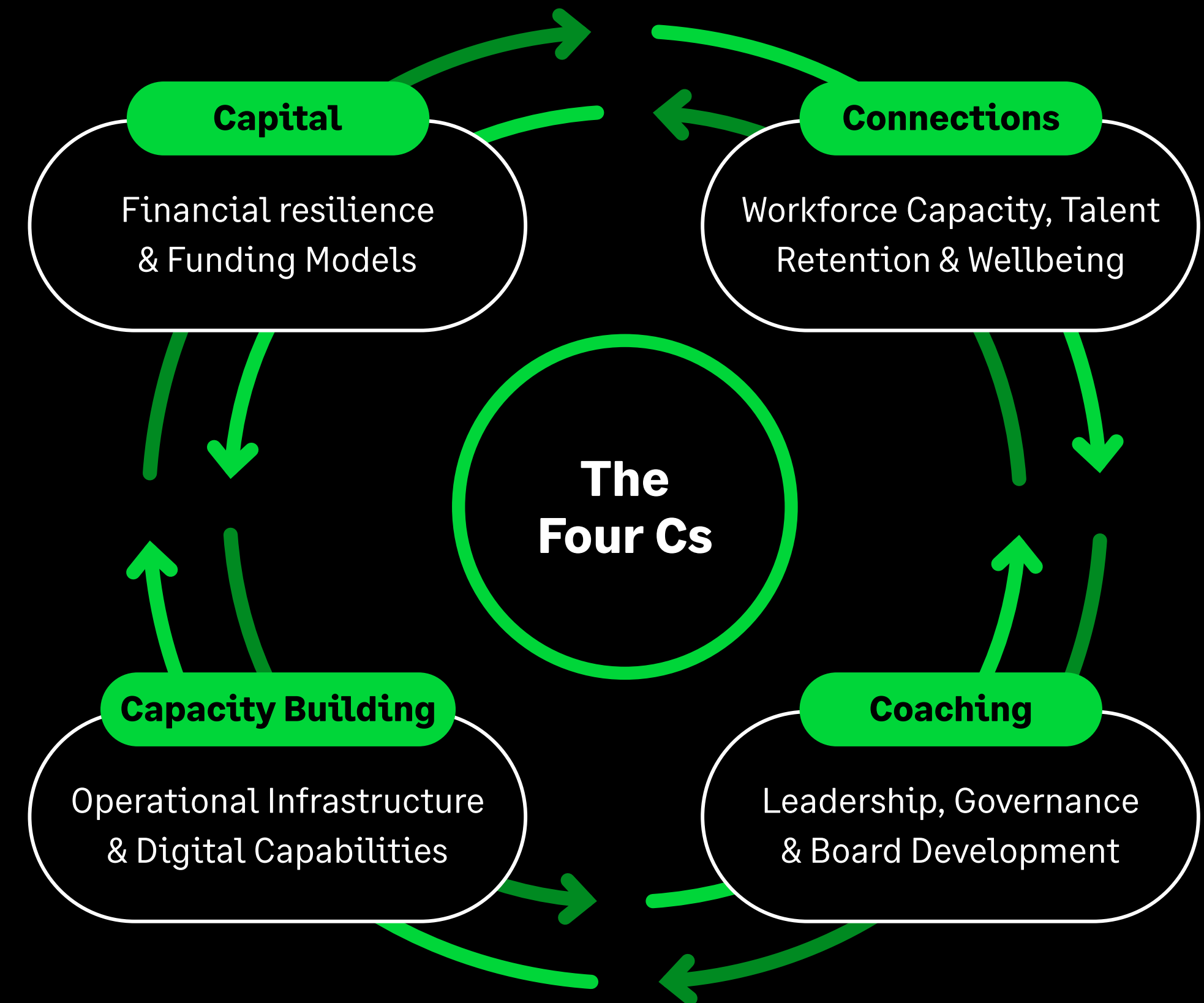
Mapping nonprofit needs

Capacity gaps are interconnected

While nonprofits experience these challenges to varying degrees, all require support across each of the four pillars. These challenges are deeply interconnected: financial, workforce, operational and leadership constraints reinforce each other, and weaknesses in one area often amplify gaps in others.

Strengthening one of the Four Cs can create positive ripple effects across the others. However, the greatest and most sustainable impact comes from supporting all four together, helping organisations build resilience through a holistic yet targeted approach.

Interestingly, impact measurement was not identified by nonprofits as a top priority need, despite it intersecting with all Four Cs- from funding requirements to leadership strategy, staff engagement and operational systems. This may indicate that nonprofits are not always fully aware of their underlying capacity gaps.



In the next section of this report, we'll explore each of the Four Cs and examine the current landscape of challenges and support for nonprofits across the regions.

Capital

When it comes to financial resilience and funding models, nonprofits face funding volatility, restrictive grants and limited reserves- constraining their ability to invest in long-term sustainability.

Support available to nonprofits varies by region, but is often restricted to short-term, project-based funding, with limited development of strategic financial skills.

In the US cuts in government support are increasing pressure, and while corporate and intermediary programmes do exist, nonprofits lack access to multi-year funding and mentoring. Service demand is increasing while resources shrink, creating pressure on reserves and financial stability, while political shifts are heightening financial uncertainty.

In the UK there is better access to funding programmes, though these are mostly short-term, while strategic financial skill development remains limited. Fundraising and workload pressures are intensifying, with funding shortfalls impacting staffing and service outcomes.

In Spain there are few funding programmes, which are mostly project-restricted with less availability of unrestricted or multi-year options. Advisory support is minimal, which restricts strategic investment.

In South Africa there are acute funding gaps with limited corporate or intermediary provision, making reserves and financial planning difficult. Nonprofits depend heavily on foreign funding and corporate sources, but philanthropic infrastructure and tax incentives are limited compared to the UK and US.

The capital challenge

What do nonprofits need?

Flexible, unrestricted funding

Nonprofits require funding that can be allocated according to organisational priorities, not just project deliverables.

Multi-year capital

Longer-term funding enables strategic planning, investment in systems and workforce stability.

Stronger reserves

Organisations need the capacity to withstand unexpected financial shocks without disrupting operations.

Financial planning and forecasting support

Nonprofits would benefit from mentoring tools, as well as training to improve budgeting, scenario planning and sustainability planning.

Access to flexible capital

Nonprofits need access to low-interest loans and/or blended finance to manage cash flow and invest beyond restricted grants.

	Financial Services	Fundraising / Funding	Multi Year Capital	Financial Planning
				
				
				
				

 Moderate density of existing provisions and resources available.

 High density of existing provisions and resources available.

Connections

Workforce capacity and talent retention are key areas of challenge for nonprofits today, who often face high turnover and limited staff wellbeing support- all of which constrains organisational stability and growth.

The support available to nonprofits varies by region, but is often limited to general training or ad hoc networks, with few structured programmes for retention, wellbeing or peer collaboration.

In the US corporate engagement and nonprofit networks exist, but nonprofits still struggle to access structured wellbeing support. Competitive labour markets and high staff turnover are creating pressure to retain skilled employees, while burnout and wellbeing are major concerns.

In the UK nonprofit networks and professional communities are stronger, but workload and wellbeing pressures persist in smaller teams. Staff retention challenges persist amid rising service demand, and professional development and career pathways are often limited.

In Spain peer networks and corporate engagement are limited, and there are few structured wellbeing initiatives. Organisations also face structural gaps in workforce planning and professional development.

In South Africa nonprofits face workforce shortages and high turnover, creating operational fragility. Meanwhile, there are few structured leadership or wellbeing programmes and limited corporate or peer support.

The connections challenge

What do nonprofits need?

Recruitment and retention

Nonprofits need strategies to attract and retain skilled staff amid competitive labour markets.

Wellbeing and support programmes

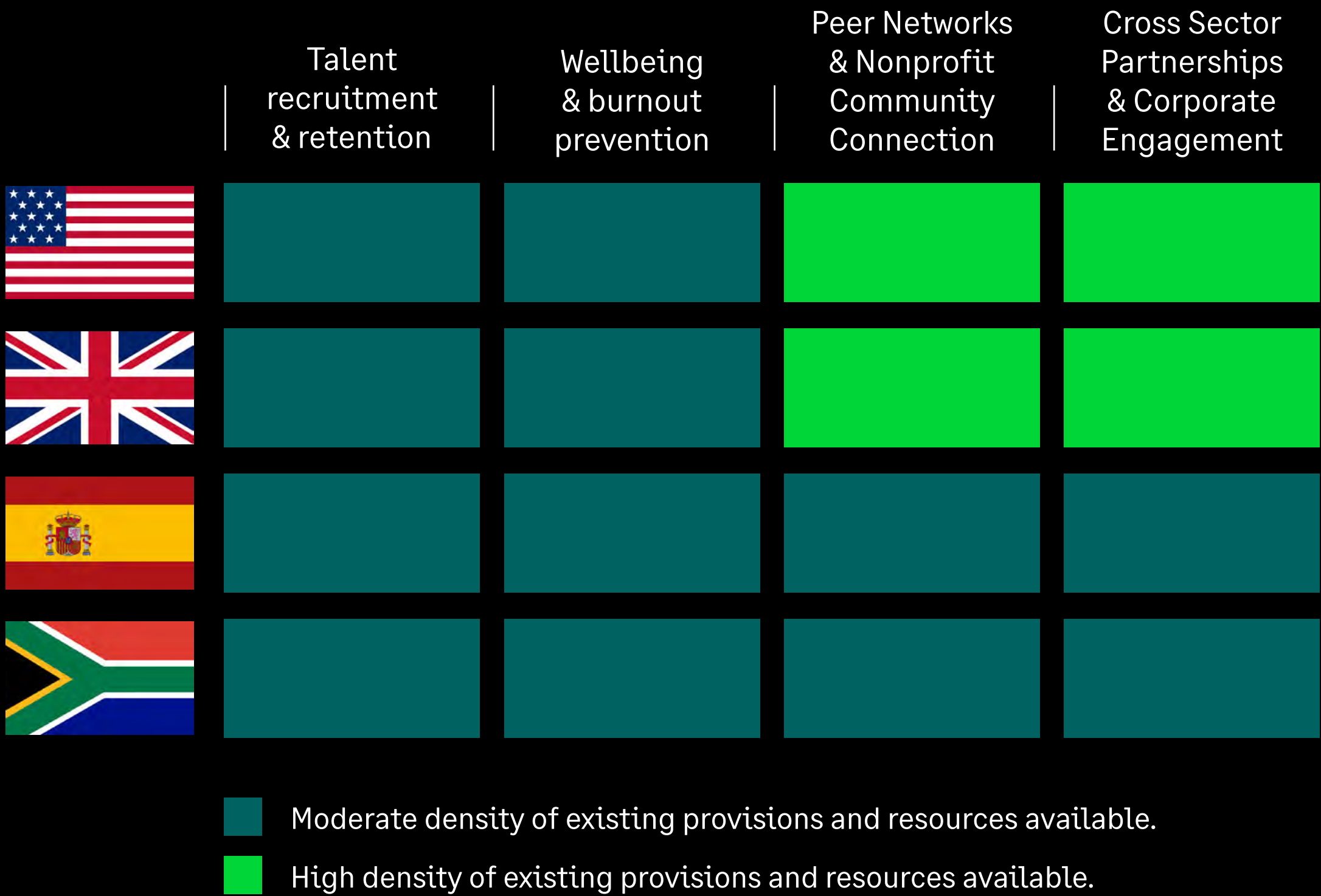
Staff require structured mental health, workload management and emotional support initiatives.

Professional development and career pathways

Upskilling, training and clear career trajectories are needed to retain mid- and senior-level staff.

Succession and workforce planning

Organisations require systems to maintain knowledge, continuity and resilience when key staff leave.



Coaching

Nonprofits face ongoing challenges around leadership, governance and board development, which limits their ability to plan, manage risk and scale impact.

Coaching support is often narrowly targeted: leadership programmes focus on senior executives, board guidance is mostly template-based, and mentoring is short-term rather than tailored and ongoing.

In the US leadership and board programmes do exist, but these are mainly for senior leaders. Leadership pipelines are weak, succession planning is limited and key governance skills are uneven. Overall, nonprofits often lack ongoing support.

In the UK governance templates and coaching are available, but tailored, sustained interventions are limited. Nonprofits face gaps from an ageing trustee base, limited diversity and rising regulatory demands.

In Spain founder-led boards and informal structures make governance and succession more difficult. There are few structured leadership or board programmes, and limited governance support available.

In South Africa there is minimal provision overall, and coaching and mentoring opportunities are scarce. Funding volatility and high demand put strain on leadership and board retention.

The coaching challenge

What do nonprofits need?

Leadership development

Nonprofits need training for emerging and senior leaders to prepare for strategic and executive roles.

Board recruitment and effectiveness

Greater support is needed to attract, retain and engage diverse, skilled board members.

Governance capability

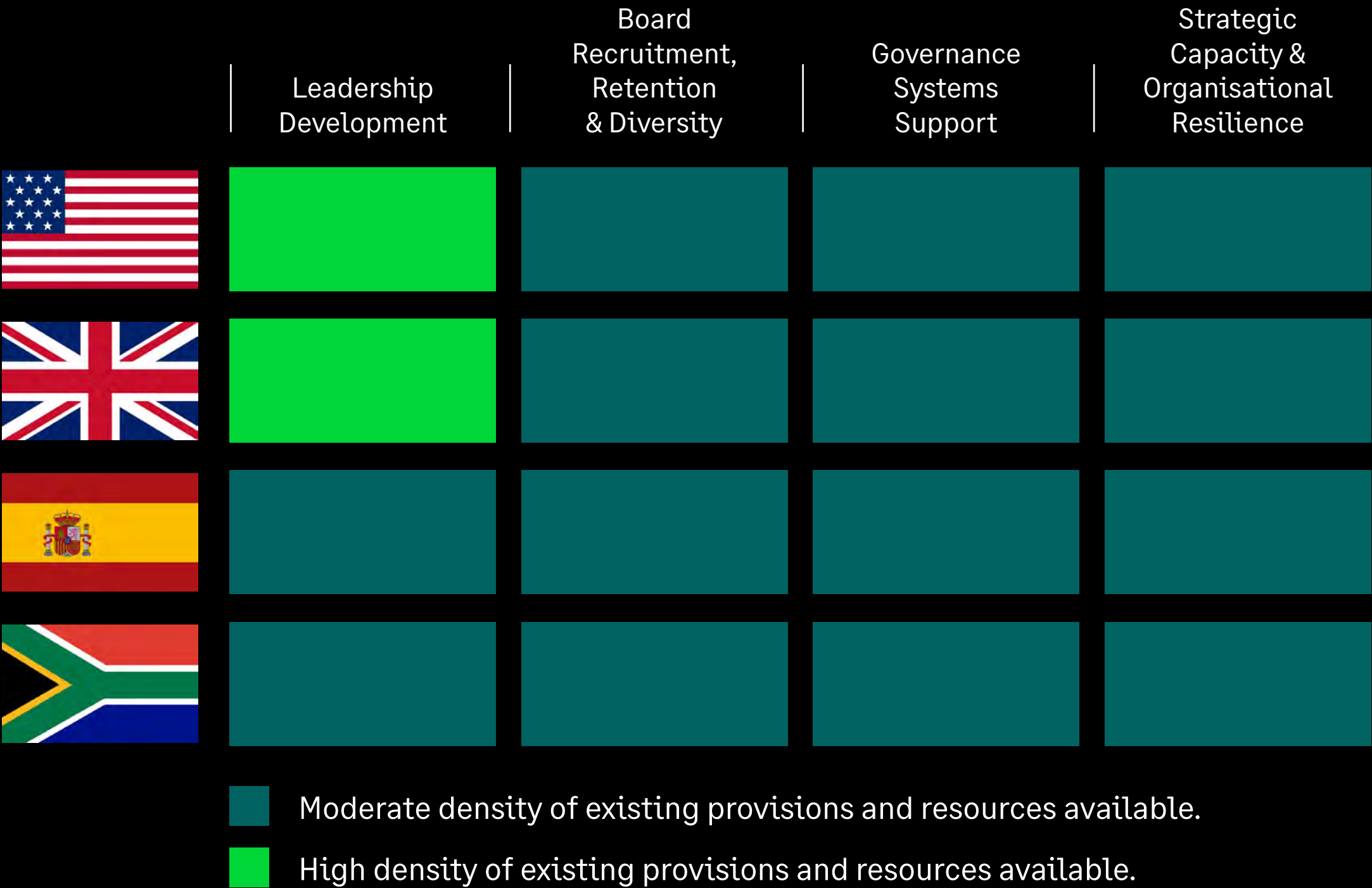
Organisations need to strengthen risk management, compliance and long-term planning systems.

Skills development

Gaps in leadership, financial management and organisational development need to be addressed.

Succession planning

Systems are needed to preserve institutional knowledge and ensure continuity during leadership transitions.



Capacity

When it comes to operational infrastructure and digital capabilities, nonprofits face fragility due to outdated systems and low digital maturity- limiting their scale and impact.

Digital and process support varies by region, and while programmes often embed staff upskilling, tech adoption and agile working, sustained operational capability building is rare.

In the US there is a strong presence of corporate and intermediary digital transformation programmes, though nonprofits often miss out on sustained operational support. Organisations do have some tech support, but still struggle with legacy systems and digital skills.

In the UK there is a broad provision of workshops, mentoring and peer networks, but tailored, long-term capacity building remains limited. Digital transformation is a priority, but limited funding and capacity slow down adoption.

In Spain few support programmes exist, and are mostly short-term or project-based- limiting adoption of modern systems and workflow improvements. Nonprofits are often constrained by finances and limited digital expertise, despite decent national infrastructure.

In South Africa there is minimal provision for digital skills, system integration and operational resilience. Connectivity, hardware and data costs compound internal digital and operational challenges, and nonprofits are largely underserved.

The capacity challenge

What do nonprofits need?

Integrated IT systems and digital platforms

Organisations need modern, connected systems to streamline operations and support scalability.

Staff digital skills development

Teams require training and support to confidently use existing and emerging tools, including AI and automation.

Operational continuity and resilience

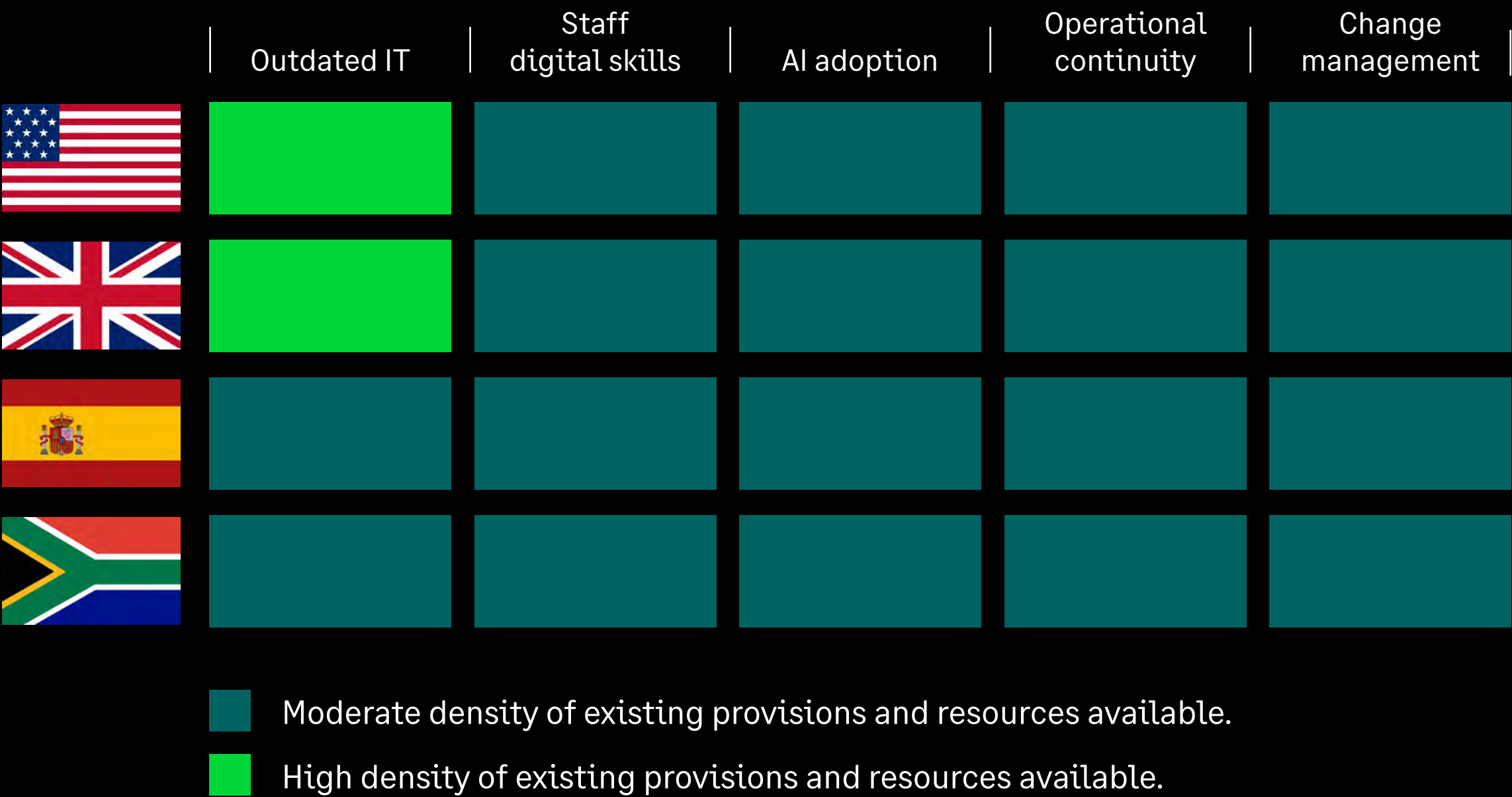
Systems and processes must minimise service disruption during failures or outages.

Support for digital transformation initiatives

Organisations need structured guidance to embed technology adoption across teams.

Change management and leadership support

Staff and leaders need support to adopt new technologies and embed digital ways of working.



Stories from the sector

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One initiative, multiple Cs

The Deloitte digital connection programme- a six-month digital transformation and capacity building initiative- demonstrates how a single programme can address multiple capacity domains simultaneously, creating holistic impact across nonprofit partners.

Capital

Up to £5,000 to fund technology, tools or project costs

Capacity Building

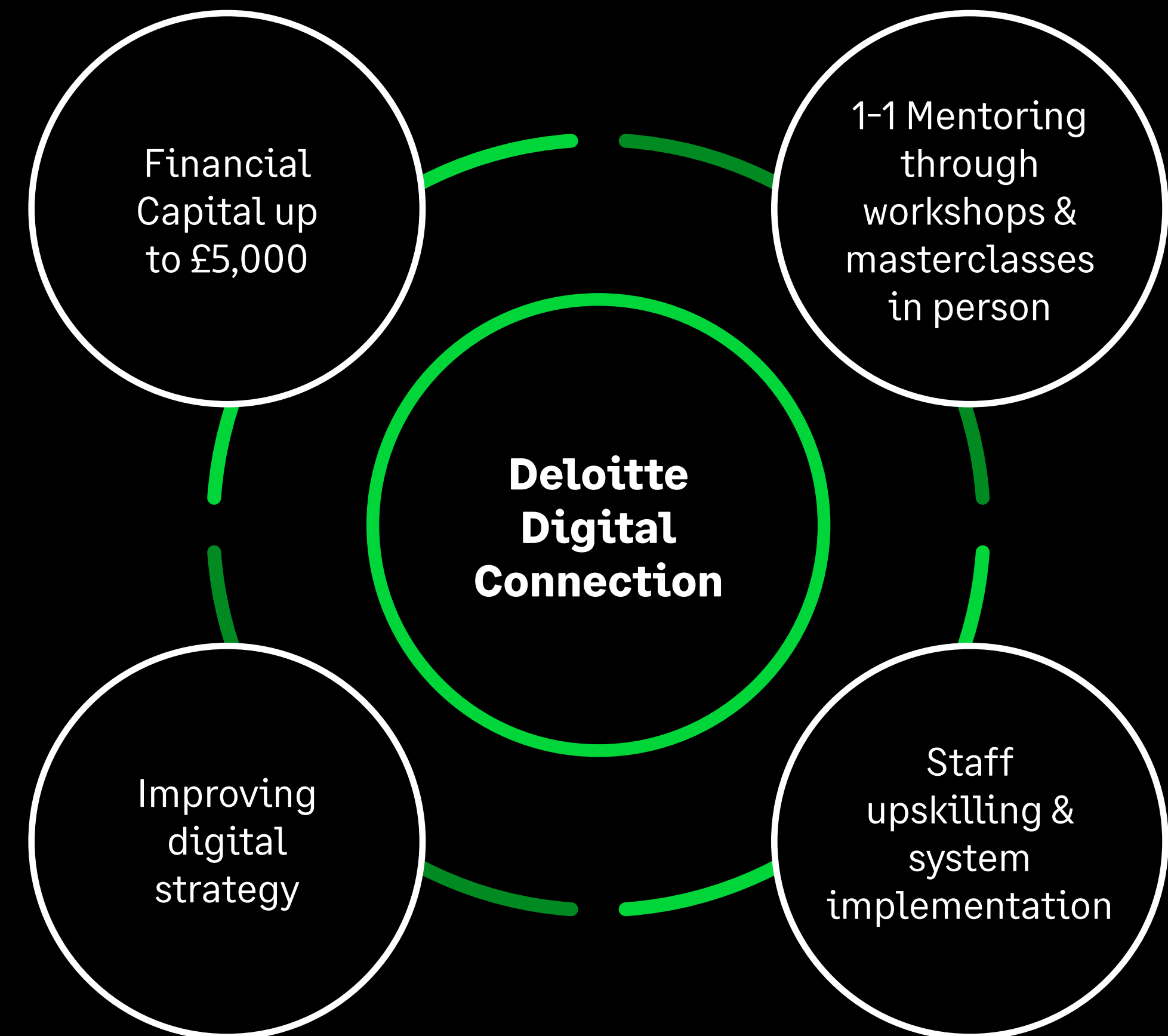
Staff upskilling, implementation of new digital systems and process optimisation

Connection

Pairing charities with Deloitte digital mentors; access to wider digital ecosystem and knowledge-sharing networks

Coaching

In-Person workshops, small group strategy sessions, and one-on-one mentoring on digital strategy, governance and change management



The Barr Foundation



Long term strategic support

The Barr Foundation provides a six-month to two-year programme to help nonprofits with strengthening leadership, HR, strategy, tech and operations. The Foundation commits to making targeted, long-term investments in organisations aligned with its strategy.

Capital

Is a grant making foundation. The investments are made through grants and partnerships

Capacity Building

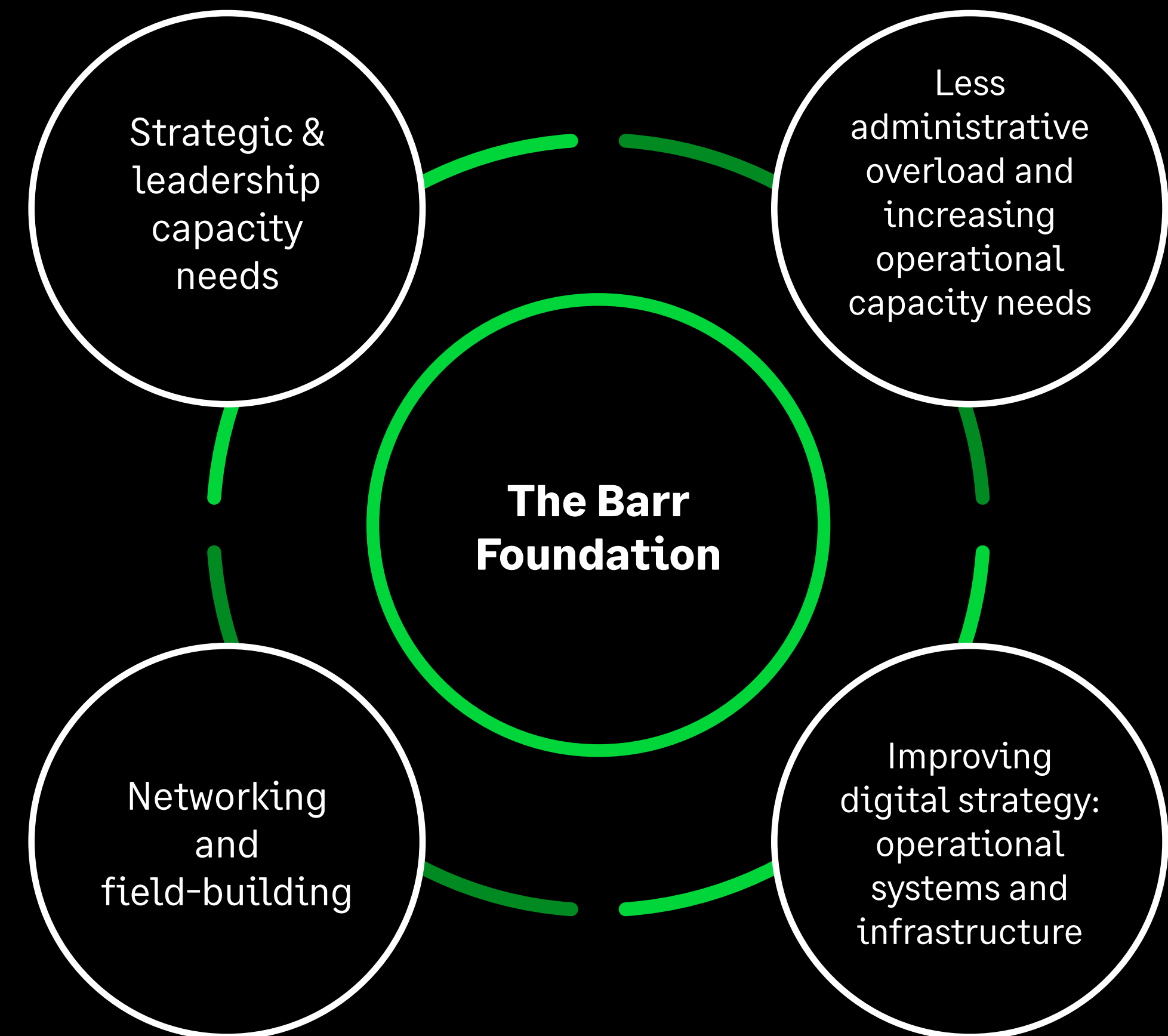
Built in 'user-friendly' technology that facilitates daily operations

Connection

Offers free publications and resources for nonprofits and partners, supporting shared knowledge and collaboration across the region

Coaching

In person and virtual training workshops, pilots and hybrid support



Fundación Botín



Empowering leaders

Fundación Botín's cohort-based Talento Solidario programme supports nonprofits by strengthening leadership, strategic and operational capacity, through the placement of skilled professionals alongside training and mentoring.

Capital

Financial assistance to hire a professional or service to further develop the strategic area they wish to improve

Connection

Access to the Talento Solidario Network of 400+ social organisations. Increased visibility through Fundación Botín campaigns

Capacity Building

Support from programme experts in areas such as strategy, leadership, sustainability, communication and digitalisation

Coaching

Nonprofits work with programme experts and specialists in key management areas



Strengthening institutions

The Leverage Fund is one of the core programmes of development organisation Kagiso Trust, and has been designed to strengthen and financially support nonprofit organisations through a blended funding and capacity-building approach.

Capital

Match funding + co-investment to unlock additional capital for NGOs

Connection

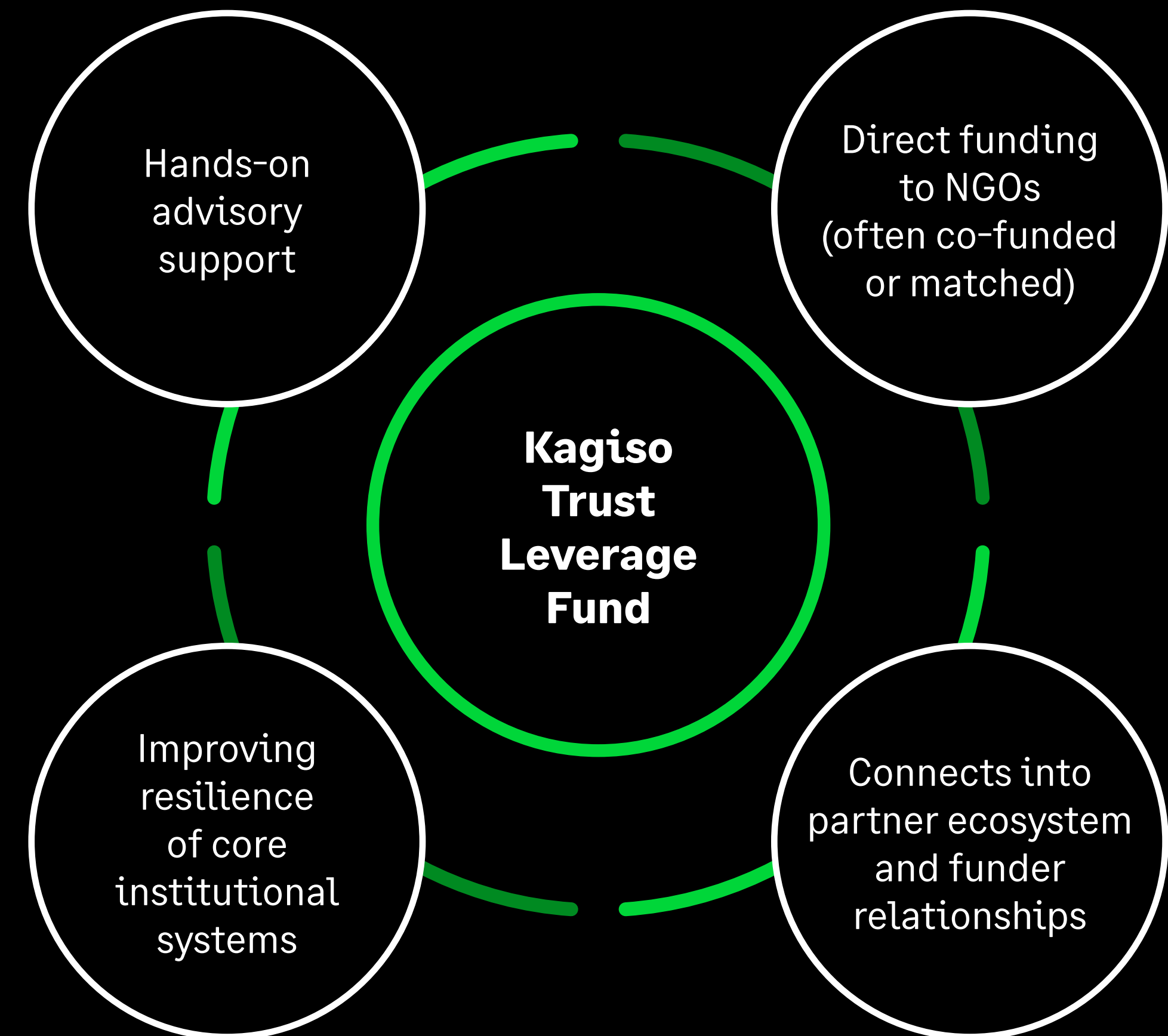
Integrates nonprofits into the Kagiso Trust civil society ecosystem and partner networks to enable collaboration, learning and funding linkages

Capacity Building

Strong focus on institutional strengthening (financial systems, governance, sustainability planning)

Coaching

Structured organisational development support (leadership, governance, strategy)



Closing remarks

Nonprofits face four persistent, systemic and deeply interconnected challenges: financial instability, workforce pressures, investment in leadership and governance, and outdated operational infrastructure. Coaching and capacity building are the two areas where support is needed most, however there are limited existing programmes to meet this need.

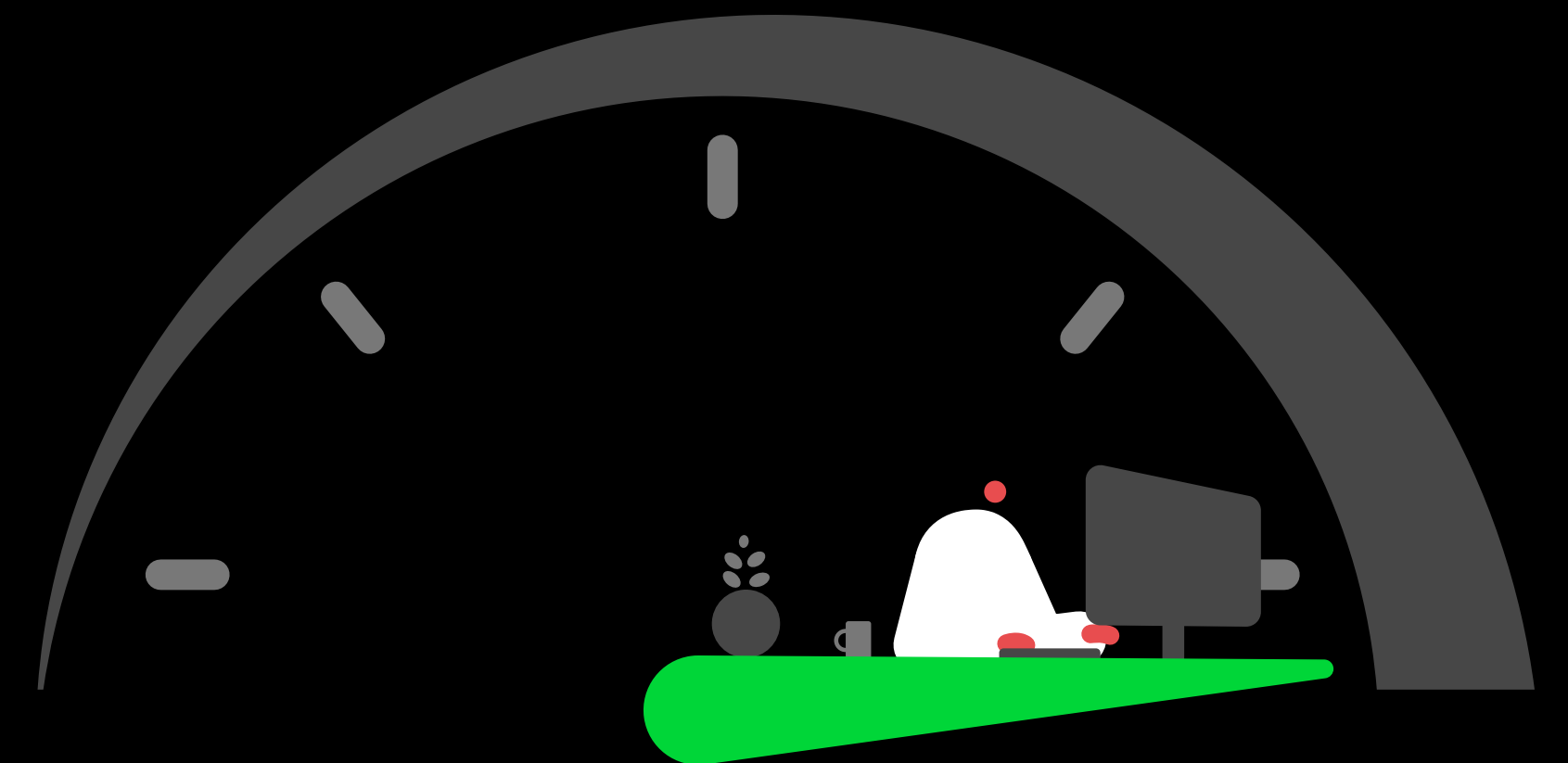
Our research highlights the variation in support across regions. In the US and UK some support is available, while Spain and South Africa have fewer options and are more limited in capacity-building resources. Overall, existing support is often short-term, project-based or narrowly targeted, with limited emphasis on long-term operational resilience.

Lasting impact comes when organisations address the four capacity gaps collectively, rather than individually- creating mutually reinforcing improvements across the organisation.

At Sage Foundation, we believe that a holistic, sustained approach to capacity building can unlock real, lasting change for nonprofits

and those they serve. This research is helping us to design future programmes to meet the needs of nonprofits and to help them to knock down barriers. We are sharing these findings openly in the hope that they will encourage more funders to recognise the value of capacity funding, and to invest alongside us in closing this gap.

We welcome opinions on these research findings- please do get in touch with your thoughts.



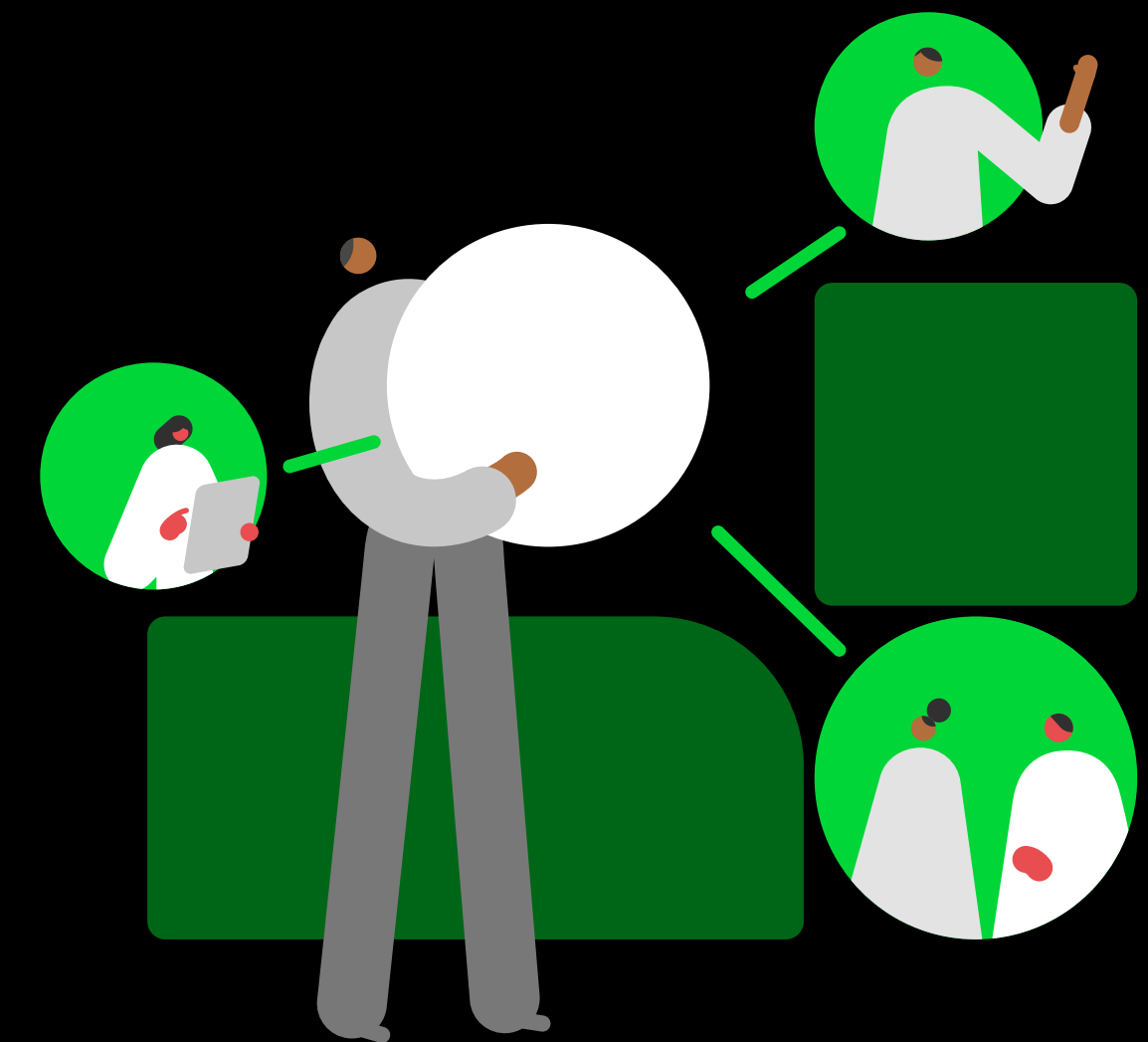
Methodology

Sage Foundation commissioned research in partnership with SLR Consulting to understand the operational challenges faced by medium-to-large-sized nonprofits* (\$2-10 million in annual revenue), and to explore the range of programmes currently available to support them.

This report is based on findings compiled by SLR Consulting, drawing on 18 sector reports, 7 expert interviews, and 29 survey responses from nonprofits across four of Sage Foundation's strategic regions: the US (Atlanta), UK (London & Northeast), Spain (Barcelona) and South Africa (Johannesburg).

The project combined desk-based research, targeted interviews and surveys to build a picture of nonprofit capacity challenges, with findings analysed collaboratively. The research combined a multi-layered approach to first understand nonprofit capacity challenges and then to map the programmes and support provisions available to address them.

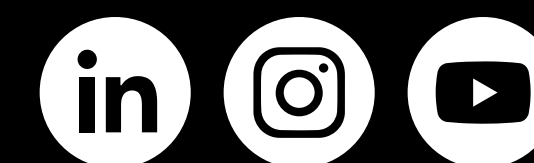
***Nonprofit size classifications vary** by country and dataset. This report uses annual revenue bands for comparability across geographies; “medium-to-large sized” reflects overlapping definitions across US, UK, Spain and South Africa research and sector datasets.





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