

Resilience: A New Framework for Nonprofit Management

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September 30, 2022*

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Dedicated to Frederick Lane

Cherished Colleague, Friend and
Counselor

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Efficiency and austerity drive contemporary nonprofit management thinking and regulation

- ***Nonprofits are expected to be “efficient” in the sense of producing the greatest possible mission-related impact with available (read minimal) resources at all times***
 - Mantras of cost/effectiveness, managing for outcomes or impacts, etc.
 - Low overhead – minimal fund raising and administrative costs
 - Maximum social return on charitable investment
 - Partial government reimbursement for services rendered
 - Minimal or no “profit”
 - Tight budgets
 - Limited salaries and benefits
 - Minimal reserves
- ***Funding institutions, ratings agencies, training programs, texts, and even many graduate nonprofit management education programs, and the culture of nonprofits themselves, promote this orthodoxy of being maximally efficient and parsimonious, all the time***
- ***This orientation favors short-term thinking, assumes environmental stability and leaves nonprofits fragile***
- ***Despite all this, nonprofits are resilient in spirit and innovative in practice, often succeeding against the odds. Recent crises demonstrate this, offering a basis for a new approach to nonprofit management in the future.***
- ***Efficiency and effectiveness are appropriate, but must be interpreted in the context of risk and long run viability***

Nonprofits need a new way of managing

- Preoccupation with getting by with minimal resources inhibits nonprofits' capacities to plan, experiment and innovate in order to increase their effectiveness over time, and to protect themselves from catastrophic events
- Nonprofits are fragile and unprepared for crises; many have been lost in recent crises; emergency rescue efforts can be too little and too late
- No lack of catastrophes past and future; *the likelihood of low probability/high impact events is substantial – we just don't know what's coming*
- Crises may be the new normal –any of these sound familiar?
 - Economic recessions and inflation
 - Pandemics
 - Social unrest
 - Sudden political change
 - Environmental catastrophes
 - Organizational scandals
 - Combinations of the above
 - Others? We may not even be able to imagine what comes next.
- Traditional nonprofit management emphasizes (static) *efficiency*. ***What is really needed is (dynamic) resilience***

The COVID19 pandemic has underscored the fragility of nonprofit organizations

- Snippets from state surveys compiled by the National Council of Nonprofits (<https://www.nonprofitimpactmatters.org/data/state-nonprofit-data/>):
 - Alaska: 100% of nonprofits received PPP funds (August 2021)
 - Arizona: 74% closed facilities for months; 25% laid off or furloughed more than 75% of staff; 78% of volunteers were lost: average nonprofit lost 26% to 50% of its revenue (March 2021)
 - Delaware: 23% reduced staff and 33% lost at least 25% of their revenues between 2019 and 2021 (November 2021)
 - Florida: 26% have no reserve funds; 65% said PPP was “important for keeping their organization in existence”; 30% “extremely concerned” about replacing the PPP funds in 2022; 10% were very concerned about closing their doors next year (Dec 2021)

COVID19 and nonprofits' fragility (2)

- Illinois: “All survey responses were clear: organizations are suffering financially, recovery will take time, and flexible resources continue to be lacking and vitally important”; One respondent said “If someone asks what you do when the rains come, make sure your answer is you built the dam, strengthened the levees and got people to high ground and shelter. Don’t say you just handed out umbrellas” (2021)
- Kentucky: 37% decrease in nonprofits’ annual revenue; 31% of nonprofits laid off or furloughed staff; 7% shutdown in 2020, 9% more expected to in 2021; 78% concerned about staff burnout; 39% have less than 3 mos. cash reserves; 9% have accessed endowment, 48% don’t have endowment; 74% are considering a strategic alliance or merger; 46% say they are uncertain about financial future (2021)
- Massachusetts: 60% report revenue loss; average loss is 35% over previous year (April 2021)
- Minnesota: 85% received COVID19 relief funds – 25% received 20% or more of their annual revenue; over 50% said they will exhibit financial distress with 12 months (December 2021)
- New Hampshire: pandemic relief funds made up 20% of revenues on average; 7% are very worried and 36% are somewhat concerned about their 2021 financial position (May 2021)

COVID19 and nonprofits' fragility (3)

- New Jersey: 43% cited financial uncertainty as on their greatest challenges; 38% cannot afford enough good staff (2022)
- New York: 62% of human services nonprofits laid off or furloughed staff; 46% took out loans or drew on lines of credit (2021)
- Oregon: 44% reported program site closures; 40% reported that 2020 had a negative effect on finances; 90% indicated optimism for next year (2021)
- South Carolina: 42% experienced operating loss in fiscal year; sector lost 7.5% of employees between March 2020 and March 2021 but expected 3.5% rebound by June 2021 (March 2021)
- Utah: 74% increase in demand for services; 30% decrease in 2020 revenue compared to 2019, 10% further decrease projected for 2021; 37% decline in 2021 staff compared to 2019 (May 2021)

How would resilience-driven nonprofit management be different?

- It asks “what if?” and prepare accordingly
- It prepares nonprofits for the long run and for a variety of contingencies, anticipated and unanticipated
- It focuses on understanding the nature of *risk* and the strategies available for coping with different kinds of risk (especially low probability, high impact risk)
- It focuses on a variety of ways in which nonprofits can protect themselves from risk, and choose appropriate levels of risk-taking
- It identifies and operationalizes a robust portfolio of strategies for *absorbing shocks and adapting to new circumstances*, including cost and revenue, asset and liability, technological, human resource, entrepreneurial leadership, and networking strategies
- It incorporates measurement systems for detecting the threat and onset of crises and successfully coping with crisis conditions

Key concepts and principles

- Risk – probabilities and consequences
- Crises as threats and opportunities
- Preparation vs Navigation
- Organizational slack
- The Goldilocks principle
- Organizational learning
- Entrepreneurial mindset
- Warning systems and stress tests

Some Nonprofit Resilience Management Strategies

Decision Focus	Illustrative Strategies	Comments
<i>Balance Sheet</i>	Reserve funds; lines of Credit	Preparation is key
<i>Cost Structure</i>	Favor variable over fixed costs	Requires long run planning to build in flexibility
<i>Income</i>	Diversification; fixed revenues	Long run planning to avoid short run panic fundraising or depending on government bailouts; application of Benefits Theory
<i>Technology</i>	Redundancy; new solutions	Mission can be carried out through alternate means
<i>Networks</i>	Safety nets	Memberships, redundancy and strong and weak network ties
<i>Entrepreneurship</i>	Problem solving and risk tolerance as part of organizational culture	Crises as opportunities
<i>Human Resources</i>	Cross training; volunteer deployment; RIF options	Trying to avoid and cushion short run (RIF) decisions with longer run planning; people as critical to resilience
<i>Information Systems</i>	Dashboards; stress tests	Regular monitoring for danger signals; long run testing of capacity to navigate various kinds of crises

Many nonprofits demonstrated such resilience strategies in the pandemic

- Playhouse Square: accumulated a large reserve fund to weather closure of its theatres and pay its fixed costs [balance sheet strategy]
- Girl Scouts of Northeast Ohio: relied on volunteer labor and shared salary reductions to maintain operations with reductions in force; and it moved programming on-line [human resource and technological strategies]
- Edwin's Leadership and Restaurant Institute: compensated for loss of in-person dining with expanded take-out, curbside pickup and home delivery engaging its own drivers, Door Dash and UberEATS; special "4 meals for \$40" deals; appeals to donors; and sales of gift cards [income, technological and entrepreneurial strategies]
- Apollo's Fire operates with a small permanent core ensemble and contracted artists as needed, and plays in diverse rented venues to minimize fixed costs, and offered new on-line programming in place of on-site concerts [cost and technology strategies]

More examples of nonprofit resilience management in action

- The Jewish Community Center of Greater Pittsburgh extended its day care program to include school age children of essential workers who required remote instruction during the pandemic [income and entrepreneurial strategies]
- The Community Health Center of Cape Cod created a data management system including metrics and dashboards to track patient outcomes, financial performance and the performance of each of its medical divisions and providers. The system allowed CHCCC to get ahead of the crisis, including expansion of its telemedicine program [data management strategy]
- The Jewish Community Centers Association of North America developed a four-part program of information-sharing, collaboration on virtual programming, communication, and social and emotional support for the workforce through its JResponse program, helping to avoid closures among its 171 member JCCs during the pandemic [network strategy].

In summary

- Crises are ubiquitous and hard to anticipate
- Resilience management is essential for the survival and long term effectiveness of nonprofit organizations
- Nonprofits are learning how to manage for resilience but require support, encouragement and a new way of thinking
- Funders, regulators and educators should take note

The NCNE Nonprofit Resilience Management program offered a series of 10 one-day course modules in the fall of 2021 and spring 2022.

Check www.nationalcne.org for future programming



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