

Getting Down to the Details: Conceptualizing Organizational Sustainability in a Changing Economy

Marilyn Struthers, *Program Manager in the province-wide program of The Ontario Trillium Foundation*¹

This paper reflects the vantage point of a funder, turned researcher, in the quest for meaningful ways to carry on conversations with organizations struggling to achieve sustainability in a changing economy. Last fall I had the opportunity to step out of my role as a funder for one of North America's largest public foundation, The Ontario Trillium Foundation, and take on a research project that gave me the opportunity to "zoom in" on ten financially vibrant organizations in Ontario. In case-study research documenting *resourcing/financing best practices*, I was able to ask what it is that they have learned that creates optimism, flexibility and financial sustainability in this climate of change. This paper explores the potential for a new conceptual framework based on *resourcing practices* to provide a practical lens for organizations to scan, analyze and compare models of organizational sustainability, and sets out four key capacities for financially vibrant organizations.

Sustainability in organizational practice has become one of the key conversations in funder circles in the last decade, as organizations in the nonprofit sector struggle to both articulate their value to civil society and to establish a firm toehold for survival in the rapidly changing new economy. In Canada, these conversations take place in the wake of a dramatic repositioning of the traditional partnerships between governments and the third sector, as both federal and provincial governments move aggressively to reduce deficits (Panel on Accountability and Governance in the Voluntary Sector, 1998; Rice and Prince, 2000; Pinney, 2001). Different from the U.S., the Canadian experience has historically been one of reliance on contractual partnerships between nonprofit organizations and governments to deliver services, and to provide the research and information on which to build and maintain the social safety net.

As the nature of the partnership between governments and the sector changes, nonprofit organizations have begun to recreate their resourcing landscapes in order to sustain themselves and their work. The Voluntary Sector Initiative (VSI) is a five-year, \$94.6 million initiative of the Canadian government, in collaboration with

¹ Marilyn Struthers can be reached at mstruthes@trilliumfoundation.org

sector organizations. Joint groups with both government and sector representation in capacity building, volunteerism, sector recognition and awareness, information management and IT, regulatory frameworks and government funding have examined the impact of change through information exchange, research and public dialogue. The VSI has developed research that begins to describe the nature of the sector and ascribe a level of both economic and civic significance. The size of the sector-1.3 million people employed (VSI website)-and the confidence levels of the public in its delivery of service-ranking higher than either government or the private sector (Centre for Philanthropy, 2000)-have forefronted the worth of the sector both in terms of its role in civic society and its economic impact.

Due to reduced government funding, and without the rich variety of private foundations that have traditionally supported the sector in the U.S., sustainability of the sector as a whole and of individual organizations within it has become an important and controversial conversation. However, the parameters of these conversations are new and often not clear. What should be sustained and who should bear the responsibility of civic investment are the larger political questions. However, sector organizations face practical, everyday questions of how to think about and develop resourcing practices that will sustain organizations that effectively create social value.

Ontario, Canada's most populous and economically wealthy province, has recently experienced significant changes in the funding environment for nonprofit organizations. Over the last decade, both the federal-provincial and provincial-municipal funding agreements have dramatically changed, essentially redrawing the *who-does-what* map of the province. Provincial financial support has been withdrawn from entire program areas, including community planning initiatives, and steeply constrained in others, particularly in the human and social services. At the same time, governments have encouraged closer relationships with the corporate sector. Organizations have been encouraged to run like a business, and businesses have been encouraged to increase their support to help with the fiscal shortfall in sector organizations.

As organizations in Ontario work to reposition their funding relationships, there are a number of conversations that have shaped the way they have attempted to meet the changes. These conversations include not only the withdrawal or reduction of funds from government sources, but also the shift from long-term core funding commitments to project funding (Canadian Centre for Philanthropy, 2003), the pressure to incorporate business concepts into financial practices (Eakin, 2002), a focus on outcome measurement, the production of documentable social value (Panel on Accountability in the Voluntary Sector, 1999), the ability to take an entrepreneurial approach (Zimmerman and Dart, 1998; Dees et al, 2001), and the vigilance required to prevent mission drift - shift in the intention of the work in exchange for scarce resourcing (Ryan, 1999; Dees et al, 2001; Canadian Centre for Philanthropy, 2003).

As part of the process of divesting itself of some of its sectoral funding partnerships, the Ontario government turned to the American foundation model. In 1999 it re-created a small public foundation, The Ontario Trillium Foundation, by committing a new annual infusion of \$100 million in provincial casino revenues. Mandated to invest in civic organizations with key criteria around capacity building and sustainability, The Ontario Trillium Foundation now invests more than \$95 million in fifteen hundred grants a year to charities and nonprofit organizations for terms up to five years. With a particular emphasis on sustainability, volunteer decision-makers grant amounts ranging from a few thousand dollars to close to a million to organizations that work in the environment, sports and recreation, culture and human and social services sectors.

For the last four and a half years I have worked as a funder for The Ontario Trillium Foundation. Counseling and training applicants in proposal development and negotiating some of Trillium's more substantial grants to support the work of the human and social service sector has given me a ringside seat from which to watch the impact of how these new conversations are being practically incorporated into organizational thinking about fund-seeking in a landscape under reconstruction.

Working with organizations to help them effectively set out their case for funding reveals a range of thinking about repositioning financial sustainability. On one side of the spectrum, representatives of organizations communicate discouragement and often despair, convinced that the world has changed in an unjust way, that effective lobbying may repair their status, and that the legitimate needs that they seek to serve in the community make funding an imperative. The degree of grief around the impact of funding changes is often palatable, sometimes emerging as irritation, anger or rigidity that often makes it hard to obtain the very information that would support an effective application.

On the other side, there are organizations that have, in this rapidly changing environment, coped by becoming more fluid and flexible and are generally more optimistic and helpful. They approach pre-application counseling in more relational terms, often seeking advice on which of several project ideas is the most appropriate fit for Foundation funding. They generate information quickly, seem to have more ready access to partnerships and, overall, have a brighter, more entrepreneurial outlook on the future, even when their balance sheets indicate slim margins of economic reserve. It is not difficult to see that these organizations are easier to offer advice to and are more likely to develop fundable proposals, creating a sort of self-fulfilling prophecy of failure for those in the first category.

RESEARCH METHOD

The Financial Capacity Task Group of the VSI launched a nation-wide process to develop case studies of organizations that illustrate financing/resourcing best

practices—that is ways of resourcing that “enhance the ability of the organization to meet its mandate efficiently and effectively” (VSI RFP). Sixty case studies, ten from each of six regions in Canada, will be developed into an inventory to help organizations and funders learn about emerging resourcing practices (VSI forthcoming).

Case study documentation, or organizational storytelling, is an ideal method to begin to create more depth in the sector conversations about sustainability. It yields practical, real-life examples of emerging practices in organizations that are both dynamic and hopeful for the future. They also help to unfold the kind of contextual depth that enables a view of the interplay of organizational elements, such as culture and governance, with resourcing. A recent discussion paper from Community Foundations of Canada suggests that stories “can illustrate concepts, explain data, inform policymakers, raise public awareness, and inspire donors and volunteers by providing context and meaning that people can understand, relate to and remember” (Community Foundations of Canada, 2002).

In order to locate organizations with resourcing practices that could provide insight on sustainability for others, I interviewed sixteen key informants, and had less formal conversations with another sixteen people who work in sector organizations, in universities, or who are funders or consultants. In search of something more specific on which to base the selection of case studies than the very broad VSI definition of resourcing practice, I asked key informants to review a rudimentary framework of practices and to identify best practice organizations. I used their responses to refine the categories of practice.

Guided by the emerging framework, I looked for organizations that met the VSI’s broad definition of a best practice, that were thriving, and that key informants suggested exemplified one or more of the resourcing practices. Ultimately, I selected and documented ten organizations with a diversity of purposes across the arts and culture, sports and recreation, environmental and social and human services sectors and that were also diverse in terms of location, size, and approach to the work they do. The organizations selected offered a snapshot of practices across the range identified and, perhaps most importantly, were able to describe their resourcing practices.

While ten diverse case studies cannot represent the range of practice within the sector, nor certainly the best of the best practices in Ontario, they do tell the stories of financially vibrant practice. Each organization has accomplished impressive increases in revenues within the last five years, in this period marked by the heaviest government cut backs. All believe that they have developed a resourcing model that has enabled them to put a pre-eminent focus, not on resource finding, but on the work that they were built to do. An analysis of these ten stories suggest the parameters of two more substantial conversations that could be developed in research and practice to elaborate on how organizations can work toward sustainability in the new economy. First, the analysis reveals a range of resourcing practices

in use in the sector and how they contribute to sustainability, and secondly, that it is possible to identify key capacities that organizations have developed to enhance their ability to be sustainable.

RESOURCING PRACTICES

In the search for good organizations to document, it quickly became clear that there is little well developed language to talk about the details of the search for sustainable practices. More usually we speak of sources of resources and divide them into dollars and in-kind donations of time or materials. While the key informants and practitioners were eager to talk about what they have discovered about resourcing organizations over this period of financial repositioning, most were less certain about how to articulate and name the work of resourcing as a practice and even less certain about claiming to have developed a best practice. Viewing organizational sustainability through the lens of resourcing practice came to resemble the view through a kaleidoscope of intriguing but shifting forms with the potential for a myriad of related patterns. Yet by the end of the project, using this particular lens across some forty conversations to develop the case stories yielded a generic set of categories of practice that hold across very diverse organizations. This set suggests a different conceptual platform for conversations about what models of organizational sustainability might look like, how to compare them across organizations, and the potential for combination into resourcing models.

Traditional resourcing practices such as fundraising, membership development and gaining and maintaining core funding have ceased to define the financial architecture of sustainable organizations. In this study, we identified eleven resourcing practices, that is, practices that yield resources, other than volunteer time, that support activities that are key to organizational missions. Most of these practices yield resources in the form of dollars or in-kind, but some are practices that avoid or recover costs. Combined together in a fashion unique to each organization, a cluster of resourcing practices, each holding the possibility of a myriad of resource generating strategies, create an organization's resourcing model. The notion of resourcing practices, deliberately combined into a resourcing model, may conceptually contribute to a more thoughtful approach to achieving sustainability.

This approach lends itself to visual mapping of sustainability models. The following preliminary categories and a *Sustainability Scanning Tool* are currently being tested with several groups of organizations to develop a visual representation of their resourcing models that then opens the potential for comparison, and so discussion and learning, among organizations. This potential opens the possibility for more deliberate strategic planning with regard to resourcing practices and the fiscal goals to make up the total financial value of an organization's annual operation.

RESOURCING PRACTICES

Core Resourcing

The ability to finance the operational core of an organization including administrative and resource seeking functions

Partnership Resourcing

The ability to obtain resources through joint ventures of mutual benefit

Project Grantsmanship

The ability to obtain project funds that support the strategic direction of the organization

Owner Operator of a For-Profit Venture

The ability to generate revenue over costs on a venture that draws from core program capacity

Event Driven Revenues

The ability to generate one-time or repeat resourcing from an event

Membership Resourcing

The ability to draw resources from membership

Project as Product

An entrepreneurial approach to marketing expertise gained from service or positioning within a sector

Cost Recovery Practice

The ability to recover costs of program as fees for service or user fees

Cost Avoidance Practice

The ability to structure resourcing models to avoid paying specific costs or to reduce costs

Fundraising

The ability to generate gifts, donations and sponsorships

Sister Investment Corporations

The ability to create a second organization with added capacity for fund generation or investment

KEY CAPACITIES OF FINANCIALLY VIBRANT ORGANIZATIONS

I also examined the case studies for the shared attributes of these successful organizations, that represent capacities that could be developed in other currently

less successful, and so less sustainable organizations. Both funders and organizations have an interest in being able to suggest what capacities are most likely to help to increase the sustainability of organizations. Using a resourcing practice lens on sustainability reveals a much more integrated connection between organizational practice and resourcing than the more traditional concept of fundraising.

There were four key capacities that could be identified in each of these ten organizational stories. These were not the traditional resourcing capacities such as having a fundraiser on staff, or the ability to attract particularly wealthy or generous patrons, or a high profile. They point more towards boards and staff that have developed flexible organizations with the capacity to both reflect on and change their practices and to move creatively toward opportunity. These organizations have overcome internal resistance and are currently (but certainly not always in their histories) moving energetically forward into the new economy, making mistakes, changing direction and learning as they go.

*In 1997, **Symphony Niagara** entered into the latest of what have been important moments of change for the organization, marked by tension and financial crisis. When seven board members quit in a moment of panic and concern for the economic future of the orchestra, the remaining four launched a process of renewal. Their leadership achieved a repositioning that has created a vibrant organization with a network of community partnerships for what is now known as “the happy orchestra.”*

The first attribute is that the boards of each of these organizations have undertaken the specific project of developing a model of resource sustainability. They have focused thought and resources on long-term planning, coupled with a genuine belief that their organization has a long-term future, and have set out a specific goal of achieving financial independence. For some of these organizations, this process began with a near death experience as they lost traditional forms of government support. The result has been strategic effort to create a resourcing model, comprised of several inter-locking resourcing practices on which the organization can rely for resource generation for the near foreseeable future.

***EcoSuperior**, [a Northern Ontario environmental organization] has developed a model of resourcing based on a project funding practice that has enabled it to not only continue, but to thrive after the provincial funding [program] was withdrawn. “We see ourselves as opportunistic, we look for opportunities that fit our ability to deliver and fit our mandate.” The [resourcing] model is stabilized by a locally*

developed relationship with the municipality that provides an exchange of value. In a win/win partnership, the city is able to contract out its public education needs at a cost much lower than it would have to pay a for-profit contractor. More important than savings, the city finds a much higher compliance rating because the message comes from a nonprofit organization with a clean environment as its first concern. "This type of information is very well received from an organization like ourselves. If we promote recycling or water conservation, there is very little resistance. There seems to be a lot more when the city tells people to do something."

Secondly, each organization has developed a resourcing model where there is a high degree of congruence with their governance model and organizational culture, and the work they were built to do. That is, there is a good fit among three key elements: how revenues/resources are generated, who is on the board and the roles they play, and the work the resourcing is sought to support. In the strongest organizations, these three elements are deeply embedded in an organizational culture that links and supports all three elements in a particular synergy. This suggests that the work of sustainability is less about the development of high generation fundraisers or entrepreneurial ventures, than about a systemic approach to the creation of value throughout the organization that then creates the potential for contribution.

Catholic Family Counselling Centre's approach to government funding is not to count on it, in a deeply engrained belief that one "leaves to government only what it is impossible to do." Based in a tradition of self-sufficiency, the CFCC has created a deliberately diverse range of funding sources in its resourcing model. [The Board] sets a standard that no more than 15% of its resources annually come from any single source, so that the loss of one source will not jeopardize its operation. The model is tightly coupled with an outcome measures approach to service delivery, which in turn provides a concrete pitch to potential donors. Finally, binding the two elements is a carefully nurtured corporate culture of ownership, entrepreneurialism and generosity. Amongst the recent statements of organizational value is this one: "We believe that generating diversified revenues is an ongoing and continuous process... We embrace change and innovation. Our continued success is dependant on our ability to anticipate change, take risks and be prepared to leave behind the safe and known."

A third attribute is that each organization is very specific about the niche they

have chosen to occupy in its work. These are not generalist organizations playing an ambiguous role in social movement. They are focused and very clear about what their work is, the outcomes they work toward and, more importantly, what their work is not. This clarity permits organizations to more readily locate a convergence of interest between their mission and a source of resourcing. The phrase win/win was often used to describe these arrangements of mutual value, ventures that generate revenue while accomplishing some part of the organization's mission.

Innovation in the Consumers Council of Canada's case study is about the repositioning of an old activity, consumer advocacy, into a new one that fits the resourcing possibilities of the environment. Joan Huzar, President of the Council, explains that four years after inception, the board realized that financial stability was the most important thing they had to focus on: "Financial independence is what I mean... We are on our own, we are standing in our own little box and we are not dependent on anybody." In making the transition, the Consumers Council is clear that it will not be all things to all people, that the consumer voice movement is not a singular thing, and that there are many possible and different niches to occupy across the consumer voice landscape. The definition of a unique niche within the consumer movement has enabled the Council to create a resourcing model that has no single stable funder relationship but relies on its ability to locate the places where there is a convergence of desire for consumer input and a willingness to pay on the part of business or government. Controversy is inevitable in a consumer organization whether it uses the old methods of lobby and boycott or, as the Council does, principles of engagement. The Council has been learning where the "firewalls" are, protective mechanisms that it can build into structure and practice [to prevent mission drift]. They include having sufficient potential contracts to be able to refuse one, if they cannot guarantee the independence of the research. Their governance structure, with the ability to control corporate membership in a non-voting capacity is another. As the Council achieves its goal of financial sustainability, the Board has felt freer to take on work that does not pay or is more challenging.

Finally the governance practice of each organization included oversight of the mission in relation to resourcing practice. Mission drift, concern about undertaking activity in exchange for resourcing that is counter to organizational mission (Dees et al, 2001) is an issue to be alert to in times of stiff competition for funds and

repositioning with new stakeholders with interests of their own in partnerships. Organizations in this study all had the capacity to examine the fit between resourcing practice and mission and had boards that played an active rather than a passive role in assessing fit. For some organizations oversight was accomplished by fostering the development of an organizational culture that fit the model they had developed. In these organizations, the soft guides of organizational culture were deliberately shaped and messaged so that it was common knowledge what was a fit and what was not. In other organizations, the method focused on the development of *firewalls*, structural or practical checks and balances at the board or staff level that informed decisions about resourcing that guarded the integrity of the mission.

Moving the sustainability conversation from the political to the practical arena of organizational change clearly requires the development of some common language and frameworks to enable the discussion. Tools that create the possibility for comparison across a variety of organizations will help to distinguish the hallmarks of sustainable organizations. The notion of resourcing models that are constructed of a series of resourcing practices that uniquely fit organizational mission suggest that it is important to encourage organizations to systematically and creatively design their resourcing practices with as much energy as they have designed services to their constituents. Encouragement and financial support from funders could help organizations to work more deliberately to conceive of and design practices and models that achieve sustainability across the changing economic landscape and are a good fit with the mission. The notion of resourcing practices that capitalize on the systemic creation of value, rather than a series of fund-generating strategies that sit outside the work of organizational mission, may help to encourage congruence and efficiency in organizational practice. Finally, storytelling research that describes the emerging practices of a sector in flux lays the groundwork for a more complex study that explores and names the range of resourcing practice and begins to describe in more detail how they work in concert and within the context of the attributes of financially vibrant organizations.

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