

Non-Profit Financial Sustainability

By

Kristin S. Williams

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In

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We accept the thesis as conforming to the required standard

E. Grant MacDonald, Thesis Supervisor Dalhousie University	Date
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Dr. Cassandra Hanrahan, Committee Member Dalhousie University	Date
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Dr. Wendy Schissel, Committee Member Royal Roads University	Date
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Section 1: The Opportunity

The inspiration behind this research was a personal desire to stimulate a better understanding of how to protect the mandates of non-profit organizations. By using the term non-profit organizations, I am referring to community based organizations that may be charities, but not necessarily. These organizations have a service-oriented social or community based mission or mandate. Non-profit organizations are typically volunteer-driven, or at the least, rely heavily on volunteer support. I have used the term non-profit organization over “charity”, “community organization”, “NPOs”, “voluntary sector organization”, or “nonprofits”, though many would consider these terms interchangeable. My intention was to not exclude (by way of language choice) any group or agency that might identify with this research. These organizations advocate for social justice and support the most vulnerable members of our communities.

In this study, I investigate financial sustainability strategies of non-profit organizations in Canada¹. I provide insight into how non-profit organizations develop revenue generating strategies to preserve their mission-critical services. The intention of this research is to offer a better understanding of how non-profit organizations can be financially sustainable. What conditions or factors contribute to increased financial sustainability? The title of this research is: “Non-Profit Financial Sustainability.”

The research closely examines five different non-profit organizations operating in the health, social services, development, advocacy and environmental arenas. The study involves a review of their sources of revenue, the way they manage their expenses, and the beliefs, actions and decision-making practices that underlie their ability to sustain the pursuit of their mission with vigor and determination.

¹ Imagine Canada reports that the non-profit sector in Canada is the second largest in the world. There are more than 170,000 non-profit organizations and charities. The sector employs more than 2 million and the work of the sector represents \$106 billion or 8.1% of the GDP (larger than the automotive or manufacturing industries).

There are thousands of non-profit organizations in Canada. The majority of these organizations are managed by volunteers, but many employ one or more staff persons who handle the day to day operations. Non-profit organizations are more numerous and have more scope than for-profit organizations, yet the sector is vulnerable because of competition, unpredictable revenues and reliance on volunteers. The sector operates in every community, and every person is touched by the work of the sector either directly or indirectly.

Challenges to financial sustainability include but are not limited to the following: government downloading; market competition; challenging economic conditions; reliance on unpredictable revenues and volunteer support, and community pressures for increased demand for services. I work and volunteer in the non-profit sector and have personally faced financial pressures as a non-profit leader. My association with the sector was a strong motivation for this study.

For this research, I provide an examination of the current literature, followed by a qualitative investigation into five non-profit organizations. I scrutinize scholarly assumptions and identify strategies that are working for non-profit organizations that might then be applied to others. I also offer insights from leaders who grapple with pressures of survival every day. I advance and test the theory that non-profit financial sustainability relies on four key organizational attributes, informed by the literature and confirmed by data. These key organizational attributes include: sound financial practices, active fund development, strategy planning and thinking, and the capacity to innovate.

While there is considerable research on for-profit strategies, there is limited research on the non-profit sector in terms of sustainability strategies. There is also insufficient research on the applicability of for-profit strategies in a non-profit context, other than to suggest that since

these strategies work in a for-profit context, they must work in a non-profit context. My goal is to add new dimension to the research available and hopefully inspire additional research that might assist even more non-profit organizations become more sustainable.

Non-profit organizations are complex entities. In one respect, they are strong in intention because of an emotional connection to either social justice or servicing a population in need, but they are also extremely vulnerable, relying on unpredictable revenues and facing constant financial pressures. Many struggle to maintain or expand their mission despite the pressure to follow the vagaries of the latest funding priorities. Though I examine the conditions in Canada, I suspect readers might find applicability in a broader context.

This research is designed to benefit non-profit organizations who may be struggling with financial sustainability. Some may even be facing financial crisis with their missions, mandates and services for their constituencies (core clients and beneficiaries) in jeopardy. It is my hope that non-profit organizations will be able to self-assess and then apply strategies outlined herein to assist them in ensuring greater financial sustainability. I identify tools for non-profit organizations to grow capacity, implement programming changes, and build a stronger case for support, which may result in more predictable and reliable revenues. As a result, insights provided in this study may help safeguard vital programs and services that serve our society. The potential to grow capacity and address an increasing demand for services may result, along with the potential to influence funders, government and the community at large to offer greater financial support.

This research highlights how organizations function within the sector, how they view priorities and balance competing demands. Its insights may be applied to program design and policy development both internal and external around financial resourcing. A self-assessment

tool is the by-product of this study and my hope is that it may be applied broadly by non-profit organizations to aid in conceptualizing conditions necessary to be more financial sustainable.

The sustainability of non-profit organizations is essential to the sustainability of communities. Non-profit organizations play a vital and supportive role in larger sustainability strategies. The services that non-profit organizations offer in each community are a reflection of the needs of the underserved and marginalized. To preserve or even bolster the capacity of non-profit organizations serves everyone. It is my view that healthy communities and healthy people lead to social, ecological and economic vitality.

Section 2: Theorizing Financial Sustainability

The issue of financial sustainability in the non-profit sector has been much talked about, but poorly conceptualized. Hence, formal research is limited. My project's first task is to design a practical conceptual framework for financial sustainability that captures the key themes that run through the literature on leadership and management of non-profit organizations. The second task is to test the literature's value by looking at five organizations with the hope that the framework helps us to understand the unique and common challenges faced in the sector.

For this study, I define financial sustainability as the mix of revenue and expense management strategies that enable an organization to pursue its mission and mandate over the long term. The prospect of an organization improving its financial sustainability is affected by its ability to operate strategically in response to external and internal factors, to innovate, and to cultivate and/or to attract strong leadership. I drew inspiration from Bowman (2011) who offers this definition:

“Broadly, sustainability refers to the ability of administrators to maintain an organization over the long term. However, the definition of financial sustainability may vary widely between for-profit and nonprofits (defined as organizations that use surplus revenues to achieve their goals rather than distributing them as profit or dividends), depending on the business structure or overarching goal of the organization. Financial capacity consists of resources that give an organization the ability to seize opportunities and react to unexpected threats while maintaining general operations of the organization.” (Cited Sontag-Padilla et al, 2012, p. 2).

León (2001) offers a basis for my research as well, with her assertion that financial sustainability is based on *four pillars*: financial and strategic planning, income diversification,

sound administration and finance and own income generation (p.15-17). Financial sustainability is a complex subject and León's views cover the basic technical requirements, but I believe we can broaden our understanding to include new ideas, such as the role of leadership and organizational management. At the very least, the *four pillars* are a good touchstone for our examination of current theory.

At the centre of financial sustainability strategies, and paramount to the success of said strategies, is the concept that financial sustainability must function within the non-profit organization as a deliberate and strategic approach to preserve mission-critical activities. Leadership may draw on a number of approaches and tactics but there are four keystone attributes, supported by the literature as contributing to financial sustainability:

1. financial practices,
2. fund development
3. strategy planning and thinking, and
4. the capacity to innovate.

#1 Financial Practices

Sound financial practices are the first basic requirement of financial sustainability. I define financial practices here as the routine manner in which the day-to-day financial activities of a non-profit organization are gathered, recorded and reported, and when required, acted upon. Herein, I examine

- a) Financial Goals: the need for clear, short and long term financial goals, which outline the minimum income and costs required to deliver on the stated mission;
- b) Financial Reporting: the need for clear and transparent financial reporting, which is robust and instructive and can be used strategically to aid in decisions; and
- c) Transparency: the need for deliberate, consistent, efficient and transparent use of funds.

These three key aspects of financial practices all contribute to enhanced accountability, the first key ingredient of financial sustainability.

a) Financial Goals

Clear, short and long term financial goals encompasses not only the basic metrics of minimum expenses and revenue goals, but also consideration around the presentation of a budget that is detailed enough to be instructive. A budget which details revenues and expenses is one of the basic tools available for effectively managing any organization. Non-profit organizations may lack expertise and financial information systems that enable them to work with such instruments, as well as the will or inclination (incentive) to adopt financial goal setting practices.

A budget must have a degree of flexibility. De Waal (2005) offers some insights about how to take budgeting beyond the rudimentary practice of reporting and forecasting:

1. set targets relative to market conditions, not just on history;

2. make budgeting an ongoing and continuous strategic practice as circumstances change and approaches can become obsolete,
3. build anticipatory systems so that budgets look forward beyond the fiscal
4. ensure that there are always resources available “on-demand” based not on historic expectations, but on good business arguments; and
5. enable information to be readily accessible to all levels of the organization (p. 59-61).

Though there are several styles of budgets, some may offer superior value to non-profit organizations. Line-by-line or line-item budgets are very common place, but not very strategic, whereas program budgets devote attention to program areas and specific overhead and can assist non-profit leaders to understand true program or service costs. A complete understanding of all costs is critical to good fiscal management, but budgets must be based on accurate information about the organization’s programs and services (Kotloff & Burd, 2012, p. 10). A budget should include historic information, outline trends, identify which assets are restricted and which assets belong to programs. A budget needs to provide a realistic picture of financial objectives. León (2001) suggests that the financial sustainability of an organization relies on strategic and financial planning and sound administration and finance (p. 16). Recognizing that operations can be dynamic, organizations must be clear about financial goals and have a plan which outlines the organization’s strategy, priorities, and costs to implement actions (p. 16).

How does a non-profit organization develop and implement budgets that support strategic goals? Aligning scope with capacity is a constant struggle in a non-profit organization. Davidson (2010), suggests (from government’s perspective) that achieving goals is a combination of financial strategies that consider short and long term needs, effective planning, efficiency, and

proper forecasting based on current economic conditions (p.51). So what are the alternatives to a deficit budget and revenue shortfalls? The answers are consistent across non-profit and for-profit organizations: reduction in services, reduction in personnel and resources, or alternative revenue programs (p.51).

How then does a non-profit organization balance the budget? Davidson outlines some basic considerations for government, which include the following:

1. revenue enhancements (such as mechanisms for collecting additional revenue, which for a non-profit may include diversifying funding programs, social enterprise, or procurement of grants);
2. service prioritization (which for a non-profit includes prioritizing core spending on mission-critical services);
3. reduction of operating costs (which for a non-profit may be a reduction in service, greater reliance on volunteers or donations in kind to offset hard operating costs);
4. regionalization or consolidation of services (generally referred to as shared services, or when non-profit organizations can share resources, space or strategies);
5. long range financial planning (which for any organization means the alignment of financial capacity with long term service objectives). (p. 53)

b) Financial Reporting

Financial reporting refers to the kinds of financial information used by non-profit organizations to aid in decision making. Sound reporting practices should go beyond rudimentary accounting practices, such as records of deposits and disbursements, to include comparisons of actual spending against budget and against historical spending. Cash flow

statements and various financial performance ratios are also instructive. Understanding and differentiating between program and operating/overhead costs is also helpful. Having appropriate software and trained staff helps to reduce inefficiencies and generate more accurate and reliable financial information (Kotloff & Burd, 2012, p. 10). Organizations can only make informed decisions with complete information. Leadership needs to ensure that reporting resources, technology, software, or in-house skill, is a match for the programs and services at the core of the mission or mandate. Are the resources too limited? Is the staff configuration appropriate? Have programs become more sophisticated, requiring the organization's administration to evolve? Leaders must ask themselves if they have sufficient in-house skill and support to produce critical financial reports because limiting this capacity also limits oversight functionality and analytical capabilities.

If financial sustainability is reliant on prudent financial planning, then how should a non-profit organization's financial performance be measured and reported? Non-profit organizations do not prioritize profitability, which means that typical cost/benefit analysis "is poorly suited to evaluate a not-for-profit entity which has no stock price to monitor and no equity shareholders" (Drom, 2007, p. 604). Non-profit organizations are "statutorily created to serve a specific purpose and achieve specific policy goals, unrelated to profit" (p.607). Measuring a non-profit organization's financial sustainability then becomes a matter of measuring its ability to efficiently and effectively deliver on its mandate, successfully raise funds, and expertly control costs. However, measuring success can be very challenging because "benefits are not easily quantified in economic terms" (p.621). Also, measuring success is intrinsically tied to social values embedded in community and whether or not benefits fit with the larger values and priorities systematically promoted within the community or region being served by the non-

profit. Drom (2007), offers that “measuring outcomes, requires focus on causation, because there is a link between the outcome or result achieved and the calculated steps an organization has taken to reach that goal” (624). If non-profit organizations are not careful, their success may be invisible to the very stakeholders needing to be engaged to advance the mission. Measuring effectiveness is not simply achieved by measuring financial outcomes, but by also considering ethical practice, alignment with mission (avoidance of mission drift²) and financial controls. These compliance considerations, however, do not contemplate factors outside the non-profit organization’s control, such as economic environment, scarcity of donors, unique community conditions, dominant value systems, and market competition.

c) Transparency

Sound administration and finance describes the management of resources, the management of income generation and effective policy that positions the organization as transparent and efficient (León, 2001, p. 17). All non-profit organizations are and should be under scrutiny for how funds are used and allocated. Transparency refers to the extent to which internal and external stakeholders have access to the financial information that addresses their organizational interests. The efficient and transparent use of funds is at the heart of building a strong relationship with funders, whereby funders trust not only the capacity of the organization to deliver on its mandate, but the competent and resourceful use of funds in the process. Monitoring and forecasting is common practice and considers spending (or actuals) against forecasts (or budget). This practice helps to ensure that actual expenditures do not exceed what was planned and therefore leadership can make informed decisions about budget management and program or service delivery (Kotloff & Burd, 2012, p. 10).

² Mission drift in this context refers to when non-profit organizations pursue available funding that has specific guidelines for spending that may not perfectly align with the stated mission, thus creating operational strain and focus on activities outside of the primary mandate.

For an organization to operate, transparently requires that its leadership be accountable. Organizational procedures should generate clear indicators of financial status, account for overhead and alert stakeholders to shortfalls (Kotloff & Burd, 2012, p. 10). Reporting should also be clear and easy to understand for the non-financial reader, allowing all levels of the organization to be engaged and have responsibility for, and/or sensitivity to, keeping on target with revenues and expenses.

Financial Practices = Accountability

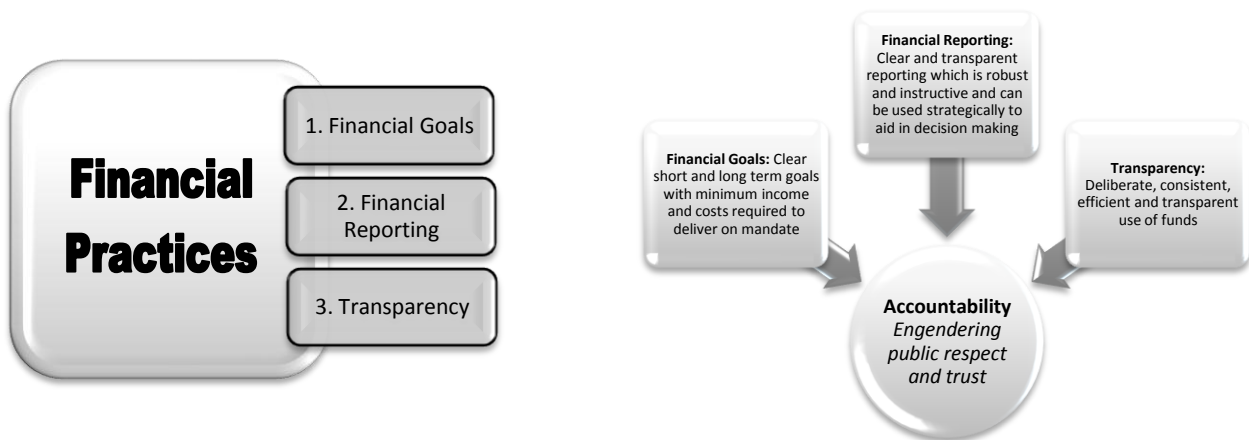
Accountability is critical to a non-profit organization because they function with the acknowledgement and assumption of responsibility for its actions and results. Without accountability, non-profit organizations risk corroding public respect and trust. Accountability is demonstrated through sound financial practices.

The focus of non-profit organizations is the creation of social value. Such value is the fruition of their missions and is represented in the programs or actions taken to address causes or social problems. But how does a non-profit achieve this social benefit or value without consideration of financial results? It cannot. For-profit organizations can almost exclusively focus on financial performance because client and stakeholder interest is also tied to either costs of services or wealth generation (Moore, 2000, p.195). Non-profit organizations must focus both on social benefits *and* financial results, because donors, volunteers and members require the organization to remain mission-focused and financially stable and viable. Therefore, a non-profit organization's mission must be based in financial responsibility and its leadership must use the organization's mission to generate and sustain the flow of resources (Moore, 2000, p. 194).

The current economy has required a paradigmatic shift in non-profit management. Non-profit organizations are experiencing a "curtailment in charitable giving [that] is directly

correlated to the economy and the for-profit firms (sic) adaptive financial repositioning to survive” (Bezjian, et al, 2009, p. 49-50). As a result, non-profit organizations have to adopt “financial accountability, transparency, managerial efficiency and an appearance of strategic aggressiveness similar to their counterparts in the for-profit industry” (p.50). The mandate of a non-profit organization is to provide social value which benefits society, and it is this appeal which attracts a non-profit organization’s core funders, namely donors. However, even donors are revising their expectations for non-profit organizations and applying the “same performance criteria” (p.51) as clients or customers do to the for-profit sector. Non-profit success is no longer as easy as aligning the values of a particular cause with that of a donor. A non-profit organization must adopt strict policy compliance to provide assurances of professionalism, accountability and transparency, and these steps towards legitimacy and stronger ethical practice must “conform to and support ‘best practice’ guidelines in both its current operations and the firm’s future strategic plan” (Bezjian, et al (2009, p. 52).

Diagram #1: Financial Practices



Williams, 2014

#2 Fund Development

Non-profit organizations rely on funds from a wide variety of sources. These include individual and corporate donations, government and foundation grants, contracts, membership fees and the sale of goods and services. The mix of funds differs from organization to organization and by activity area or subsector. Active fund development is then, another basic, but critical requirement of financial sustainability. I define fund development³ as all revenue generating strategies that a non-profit organization might employ to generate the necessary financial resources to carry out the mission. Components of fund development may be broken down into three categories which are not exclusive of one another

- a) Revenue Generation: the need for fund development to be an ongoing priority for the organization and supported by an appropriate level of resources;
- b) Revenue Diversity: the need for diverse income sources and a multi-pronged approach to fund development; and
- c) Own Income: the need for an organization to have an established mechanism to generate a source or unrestricted assets.

These features of fund development enable an organization to operate effectively and with flexibility. Efficacy is the second key ingredient of financial sustainability.

a) Revenue Generation

Non-profit organizations must take revenue generation seriously and treat it as a business (Simon, 1997, p. 1). It costs money to raise money, thereby requiring organizations to invest in the business of revenue generation. Revenue generation planning can assist in establishing

³ I have not used the term fundraising, which some may consider as applying to certain kinds of fund development activity. There are many terms that the sector uses to describe various fund development activities and those individual practitioners responsible for revenue generation. For this study, fund development refers to the broadest possible understanding of how funds are generated by non-profit organizations, including, but not limited to: funds procured from the private sector, commercial partnerships or sponsors, special events, third parties, foundations, grants, government, social enterprise, fees and services, individual donors, planned giving etc.

maximum costs for raising funds (Citti & Zuccoli, 2012, p. 34). Organizations need to also consider a donor's threshold for diverting assets and resources to fundraising. Therefore each organization is likely to have a different approach and different set of values. At the very least, revenue generation needs to be an active priority, supported by adequate and appropriate resources.

Revenue generation also has two dimensions: it relies on both donor stewardship and donor acquisition, with organizations investing actively in both activities (Waters, 2006, p. 75). A well-articulated fundraising plan considers all of the following: short and long term goals, overall direction, positioning, a case for support, targets, a budget and monitoring/control considerations, is a valuable tool to plug into broader operational and strategic plans (Citti & Zuccoli, 2012, p. 35).

Non-profit organizations also have a different “defining source of revenue” (Moore, 2000, p. 184) which is intrinsically tied to the production of social value. Unlike corporations that rely on clients and customers, non-profit organizations rely on donors, members and volunteers who provide “charitable contributions of money, time and material” (p. 185). Central to fund development is the value proposition – what social value created is worthy of a donor's investment? “Donors do not give unless they recognize a worthwhile cause” (Citti & Zuccoli, 2012, p. 33). Therefore, fund development activity, must be a process that functions at various levels within the organization, and it is intrinsically tied to the external perceptions of the organization which fundraisers work to shape (p. 33). Fund development needs to focus both on the donor's interests and the organization's needs. A case for support⁴ should package the outcomes of the mission in a way that is appealing to funders. Fundraisers must work to create trust, commitment, satisfaction and control mutuality – or an appropriate balance of power

⁴ A tool used by fundraisers to pitch an investment opportunity to a funder. It usually includes details about the mission, mandate and outcomes.

between the organization and the mission and the organization and the donor (Waters, 2006, p. 75).

b) Revenue Diversity

A diverse range of income sources is essential along with flexibility to steward funds based on needs identified. Best practice holds that at least 60% of the organization's budget should come from at least five different sources (León, 2001, p. 16). Multi-segment targeting is one approach to diversification and requires a focus on a wide range of donors. Tactical plans might consider individual donations, major gifts, corporate sponsors, or private sector grants. In general, methods to raise funds can be categorized in two ways: donations or agreements, and exchanges, discounts or gifts (Citti & Zuccoli, 2012, p. 35). Of particular concern to raising funds is that they can be used at the discretion of the organization (for the advancement of mandate) without the undue influence or control of sponsors (i.e. donated funds should be unrestricted in their application within and by the organization) (p. 35).

Moore (2000) argues that fund development strategies must be suited to the "organization's existing capabilities [and] have to be fitted to the challenges and opportunities of the environment in which it is operating" (p. 184). Understanding that each donor is different also requires an organization to consider different fundraising methods to determine which options are best. In order for an organization to acquire significant diversity its strategies need to remain focused and effectual and consider multiple methods and audiences.

c) Own Income

Many non-profit organizations are looking at their own forms of income generation beyond donations in order to invest in their own growth and development. Own income generation describes the kind of unrestricted revenue that can be generated by an organization

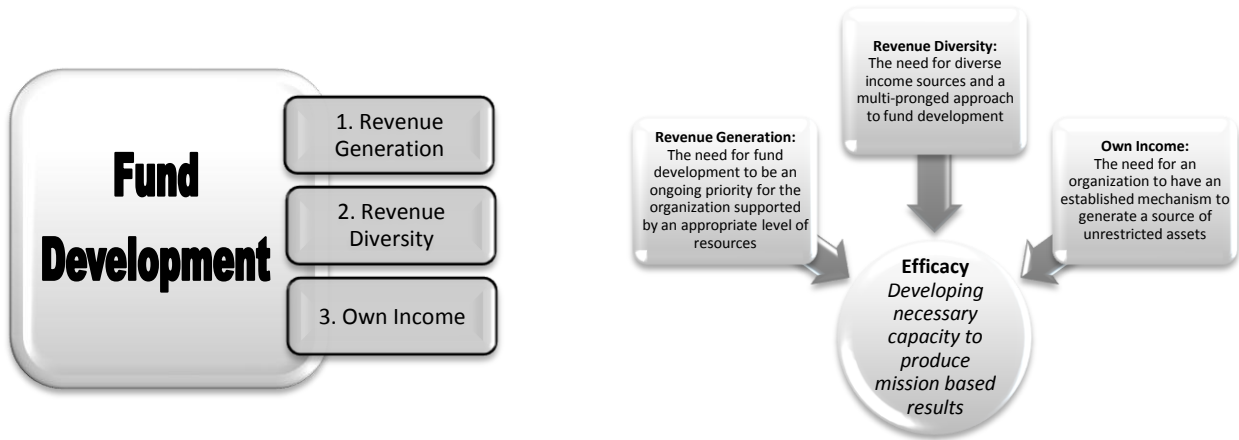
(León, 2000, p. 18). Examples include: contributions to a trust or endowment fund (reserves), public donations, sales of goods or services, social enterprise (business related to the mission), financial management (strategic management of assets for performance), and corporate alliances (sponsorship or cause-related marketing) (p. 18-20). As a result of new approaches to fund development, there is now a continuum of funding activity, with one end representing outright, unrestricted revenues, gifts or grants and the other end representing loans or other investments, usually commercial and restricted (Kingston & Bolton, 2004, p. 113). It should come as no surprise that “charities of all sizes are exploring income generation” (p. 120). Methods will vary, but it is prudent for non-profit organizations to consider future funding models to include “a wider range of sources of finance” well suited to their needs (p. 120). Some of these opportunities may include “social alliances” whereby non-profit organizations eager to increase resources to solve a social problem, partner with companies eager to improve their brand or image (Martinez, 2003, p. 210).

Fund Development = Efficacy

Efficacy is critical to a non-profit organization if it is to develop capacity to produce desired or intended results for its mission. Fund development is also fundamental to sustaining operations and the services or programs of the non-profit organization. Therefore, an unremitting approach to revenue generation aids in cash flow, allowing leadership to make key programming decisions based on the needs of the community being served, not on the whim of funders. Developing fund development effectiveness, investing in fundraising resources and understanding the funding environment are all critical to success. Having a sustained flow of funds is vital to developing and maintaining quality standards, improving outcomes, establishing

best practices. Resources must be adequate to the task at hand if the organization is to accomplish its mission.

Diagram #2: Fund Development



Williams, 2014

#3 Strategic Planning and Thinking

Non-profit organizations must spend dollars efficiently and align financial resources with mission-critical objectives to be financially sustainable. Strategic planning and thinking includes having a clear mission, vision, goals and the means to effectively lead and achieve and measure outcomes. Strategic thinking is the mental process of determining how to be successful, whereas strategic planning outlines the critical steps necessary to achieve success. Both of these concepts help an organization develop the foresight capacity to explore all possible futures. Strategic planning and thinking consists of the following and overlapping components:

- a) Strategic Clarity: the need for financial sustainability to be a deliberate and strategic approach by the board and management so that mission attainment is considered alongside revenue assurance;
- b) Leadership and Governance: the need for an organization to have strong, effective leadership and a functioning governance model, suited to the circumstances and culture of the organization; and
- c) Structural Components and Planning Instruments: the need for well articulated strategic and operational plans with ongoing performance monitoring and analysis

These features of strategic planning and thinking serve as a means to demonstrate credibility; the third key ingredient to financial sustainability.

a) Strategic Clarity

Legitimacy is measured through thoughtful management and monitoring of performance to sustain results and achieve “strategic clarity” (Bezjian, et al, 2009, p. 55). Strategic clarity is an explicit focus on vision and results and creating alignment in processes, systems and structures within an organization to achieve goals despite environmental challenges including

economic conditions (p. 55). But what of a non-profit organization's unique challenges, namely limited capacity and resources, government downloading, or forced increases in scope? While I believe that achieving legitimacy and operational excellence is not necessarily synonymous with achieving financial sustainability, I know from extensive experience with non-profit organizations that they must continually improve their performance, adapting outreach, structures and internal processes to sustain prudent financial conditions.

Within the organizational environment, organizational systems must promote the objectives of improving quality of services, avoiding unneeded services, improving client satisfaction and fostering improved performance (individual and organizational) (p. 283). Young (2012) offers that strong management control is a key component to achieving goal congruence (and strategic clarity) and that to ensure these priorities remain a focus of both the board and staff, certain structures need to be in place, including the following:

1. a strong governing body;
2. a board that does not interfere with the prerogatives of management;
3. managers and staff that have the authority to use their own judgment;
4. budgeting which is viewed as an important part of management control;
5. actual spending, which is compliant with budgeting (including the provision of a reporting window);
6. managers devoted to developing satisfactory output measures;
7. all levels of the organization engaged in performance monitoring;
8. managers who undertake analysis and evaluations for the overall effectiveness of the organization's programs (p. 284).

In order for financial sustainability to be an ongoing and strategic focus of the board and management, structures must be in place, which help to focus efforts equally on income generation and the production of social value.

b) Leadership and Governance

Leadership is a practice of social stimulation, persuasion and inspiration, which facilitates a team to effectively contribute to the mission and mandate of an organization. Leadership, in a non-profit organization, is generally regarded as involving collaboration between management and a volunteer board of directors. For larger non-profit organizations, operational management is addressed by an executive director (ED) or chief executive officer (CEO). On an individual level, leadership is associated with traits, styles, competencies and behaviours (Ahmed, 2005, p. 916). On an organizational level, different models of leadership may be present, including traditional top-down leadership approaches or more consultative and people-oriented approaches, such as shared leadership or servant leadership. Models depend on the philosophy of the organization. Achieving clear roles, accountability and a balance of responsibilities for all players, along with attracting strong, effective leadership can be challenging.

The term governance has come to be associated with the leadership exhibited by both the board and ED/CEO working together. A board of directors is responsible for keeping the organization mission-focused and measuring mission outcomes. Policy Governance, as coined by John Carver, and Generative Governance, as coined Richard P. Chait, William P. Ryan, and Barbara E. Taylor, hold that boards should adopt corporate styles of governance and be more strategic and generative to be more effective in their roles (Crosby, 2006, p. 30). Having a board where governance is about leading, thinking and visioning (p. 31) is critical to the adoption of new, innovative programs in an organization and to its achieving success. Problem solving,

option identification, decision making, and oversight are activities undertaken around the board table. The board also acts as a voice of the community (a primary stakeholder) stewarding the community's primary interests.

Good governance is one of the greatest challenges facing non-profit organizations. Miller and Bergman (2008) outline very specific leadership characteristics, with particular focus on the board's role in "supporting the executive director by making time available to sustain his/her vision and implementation" (p. 3). However, it is my view that the board is not just there to support the ED or CEO. It must reflect on the future, be self-aware and maintain and refresh mission goals, and ask tough questions.

Ideal leadership qualities include: a desire to make a difference, blended with skills and knowledge, and the opportunity to act. In particular, Miller and Bergman (2008) suggest that "good board leadership exhibits passion, commitment and vision and [members of the board] articulate these clearly" (p. 3).

There are strong cautions and suggestions in the literature for boards. Cautions include:

1. organizational cultures tend to be self-perpetuating;
2. boards are social groups and each has its own culture;
3. board culture changes as members, situations, and conditions shift. (Miller & Bergman, 2008, p. 5)

Key suggestions include:

1. respect, acknowledge and honour mutual responsibilities;
2. maintain a commitment to strong communication and transparency and a commitment to positive change;
3. prioritize learning from conflict and debate;

4. promote trust as it goes hand-in-hand with the ability to take risks.(p. 6-7)

Ultimately strong leadership and good governance in particular, necessitate ground rules and trust; otherwise, no specific operational or governance objectives can be met, including financial sustainability. Ground rules, therefore, consist of common sense measures: strong and clear communication and information sharing; focusing on the common good, not individual egos; making decisions by consensus; growing from mistakes; a willingness to embrace change; a willingness to take calculated risks; development of and trust in a strong governance model; and most of all, maintaining a uncompromising focus on the mission (Miller & Bergman, 2008, p. 10).

The executive officer and board relationship is also mission-critical and essential to the success of the organization: “It is important that the board members and the executive director see each other as colleagues working to achieve the same goals” (Drucker, 1989, cited in Markey & Denison, 2008, p. 2). In fact, a healthy board chair-ED/CEO relationship can directly and negatively affect organizational effectiveness when it is weak or dysfunctional (Hiland, 2008, p. 1). Key characteristics of proper interpersonal dynamics to advance the board chair-ED/CEO relationship include the following:

1. facts-sharing and direct communication;
2. ideas-sharing, including brainstorming and or thinking things through together;
3. knowledge-sharing and or mutually coaching and mentoring;
4. feelings-sharing, including offering support, reassurance and appreciation;
5. a give-and-take attitude, whereby each adapts to each other’s style, personality, preferences and process of working. (p. 2)

Ultimately, the bottom line to effective governance is trust and building up social capital (a non-profit organization's strongest asset) to be effectively utilized and deployed opportunistically for advancing the mission and mandate. Boards and board chairs and management need to understand that focusing on good mutual relationships is a critical component of working together effectively and will ensure the best utilization of everyone's skills and best results for the organization (p. 9).

c) Structural Components and Planning Instruments

As evidenced by various news articles in recent years, non-profit organizations are also challenged with attaining financial sustainability because of “uncertainty amongst some segments of the donor population. There appears to be a growing mistrust about the legitimacy [of charitable organizations]” (Anderson, 2008, p. 10). This mistrust has placed positive pressure on non-profit organizations to maintain professional and ethical conduct which directly corresponds to a non-profit organization's potential to be financially sustainable and align scope with capacity. For non-profit organizations, ethical practice is often manifested in sincerity for the cause, which can be expressed as enthusiasm for the mission and demonstrated “spirit, energy and drive” (p. 1). However, there are key structural components that need to be in place so that these motivations can be appropriately channeled and charted: a mission statement, a corporate structure, policy framework, and a strategic plan inclusive of short and long term goals. Without these key components in place, management may try to drive an organization along emotional lines instead of inspiring it in pragmatic ways. “Organizational leadership capacity” (OLC) is created through key structural components which function primarily to create a sustainable future for an organization (Anderson, 2008, p. 3). OLC is comprised of individual leadership, organizational leadership and leadership culture (p. 4). These components are

necessary for a non-profit organization to develop bench strength and long term sustainability. Even with the organization's values central to its planning and strategies, the organization "still needs to follow business principles and practices to enhance its viability" (p. 7).

Graetz (2002) argues that leaders (boards and executive officers) must be strategic-minded and that strategic thinking "reflects a holistic view that appreciates how the different parts of the organization influence and impinge on each other" (p. 456). She further suggests that strategic thinking must embody a focus on intent, versus a focus on fitting resources with opportunities. Most of all, strategic thinking must consider the past, present and future (p 456). Strategic thinking by the organization's leadership must "invoke the capacity to be intelligently opportunistic" (p. 457).

The mission and core purpose act together as a compass, constantly keeping the non-profit leader in check and on the right course. Where it becomes challenging is when stakeholders disagree about how the mission or mandate's goals can be reached; that is where strategic and operational planning tools are particularly effective.

There are many planning instruments (plans, tools and analysis) at the disposal of for-profit and non-profit organizations which can assist in documenting and formalizing goals, strategies, tactics and activities, including outputs and outcomes. I will highlight a few of the basic tools here:

1. Strategic plans are very high level, in that they are critically important and often complex. They consider the outcomes of the mission and vision. They help to ensure that all levels of the organization are working towards the same goals. They may consider a variety of future outcomes, trends, analysis, and the best use of organizational resources. Often strategic plans look for input from a diverse

range of stakeholders. Ultimately a strategic plan is a tool that guides organizational actions and behaviour (Quinn Strategy Group, 2013). Strategic plans are broad and directional and may have a shelf life of 3-5 years (long range) (Lussier, 2015, p. 127).

2. An operating plan is focused on the short term and should serve as a detailed road map, whereby activities that will be accomplished are outlined in a tactical way (Quinn Strategy Group, 2013). Operating plans are narrow and specific and are typically for one fiscal year (short range) (Lussier, 2015, p. 127).
3. The SWOT analysis or matrix is one the instruments of strategic analysis and helps to uncover strengths and opportunities, while understanding weaknesses and threats both internal and external. As with many forms of analysis, SWOT is not perfect and has been criticized for a lack of predictive power and its reliance on subjective intuitions (Agarwal, Grassl & Pahl, 2012, p 12). However it is a useful tool to make some quick, intuitive observations about the operating environment upon which to build and reflect.
4. The balanced score card (BSC) and the viable systems model (VSM) are performance measurement tools that can assist in quickly instilling direction and purpose. Performance measurement systems must not only measure what can be measured easily, but also integrate a range of indicators that consider long-term societal considerations, or “the things that matter most” (Schacter, 1999, p. 5). Both the BSC and the VSM are instruments that assess an organization’s “potential for strategy adaptation and realization” (Achterbergh, et al, 2003, p.

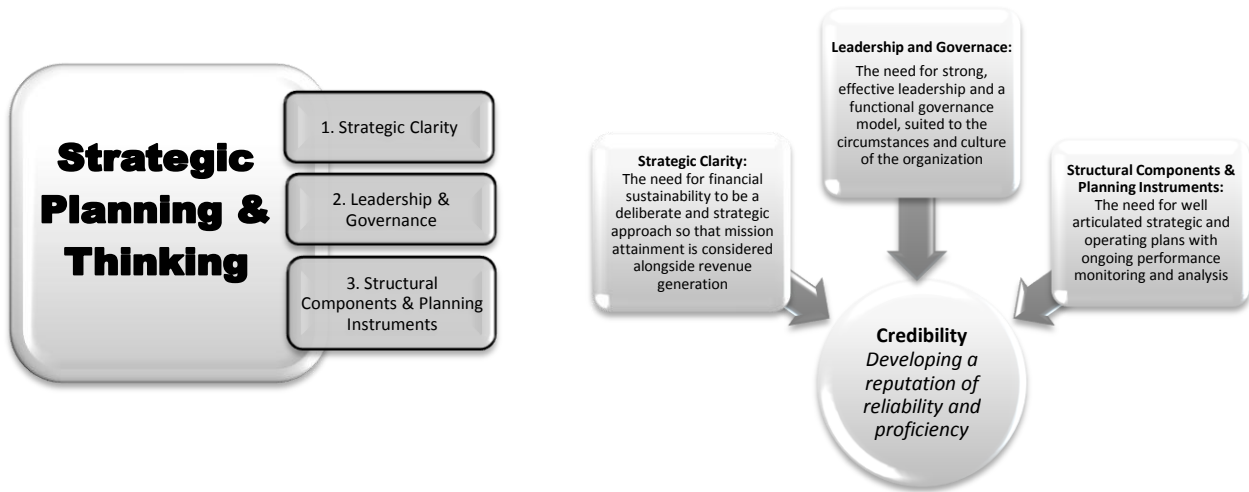
1397). Each instrument attempts to break down perceived key elements of strategic success by understanding their linkages and roles.

Ultimately, there are many ways to evaluate success and planning, but the key observation advanced by these instruments of planning, analysis and measurement is that alignment with goals and outcomes must be assured. Non-profit organizations need to be strategically efficient because they do not have the physical or financial resources to undertake activities that do not advance the mission and mandate. Organizations must partake of a continual process of examining goals and measuring outcomes to ensure their activities are on track.

Strategic Planning and Thinking = Credibility

Building capacity is central to the performance of a non-profit organization and “it would seem that NPOs [non-profit organizations] are often too busy doing what it is they do to be able to take a step back and think critically about how they might plan for the future and build their capacity” (Anderson, 2008, p. 27). A non-profit organization must have goals and defined deliverables with measurements to demonstrate accountability and credibility. Logic would follow that enhanced credibility should lead to a stable financial condition, and by extension, success in the pursuit of mission objectives. Credibility develops two key perceptions in funders about the organization: reliability and proficiency. These key perceptions lead funders to the conclusion that the organization is worthy of investment.

Diagram #3: Strategic Planning & Thinking



Williams, 2014

#4 Capacity to Innovate

Innovation is a hallmark of an organization primed to be responsive and readily adaptive to both internal and external pressures and change. Financial sustainability relies on an organization's capacity to innovate, which means continually meeting new and changing needs, remedying problems and embracing challenges with creative solutions. "Innovativeness refers to the seeking of creative, unusual, or novel solutions to problems and needs" (Morris, et al, 2007, p. 14). Bowman (2011) offers that in the context of financial sustainability, an organization must have the "wherewithal to seize opportunities and react to unexpected threats" and this speaks directly to an organization's inventive and creative capabilities (p. 38). There are three important aspects of creative innovation for non-profit organizations:

- a) Sector Blurring and Bending: the benefits and cautions of entrepreneurial approaches and for-profit strategies;
- b) Community Collaboration: community collaboration as a means to address limitations; and
- c) Social Capital: knowledge management and systems thinking to effectively collect and deploy social capital.

These features of innovation and the capacity to innovate help an organization recognize and create opportunity, the fourth and final ingredient to financial sustainability.

a) Sector Blurring and Bending

Many non-profit organizations have already morphed into new structures and adopted new practices that would have seemed strange a quarter of a century ago because "the role and expectations of the sector have been changing at an almost exponential rate" (Crosby, 2006, p. 1). Organizations must be focused on the client and constituent group associated with the

mission, which increases *survival anxiety*⁵ and helps to fortify an organization against mission failure. Partnering with government and the business sector, becoming results-driven, accountability-focused and multidimensional are effective ways to ensure sustainability (p. 1). Non-profit organizations must contemplate financial sustainability alongside excellence in leadership and excellence in programming (production of social value). Applying for-profit strategies has not changed the inducements or determinants for success in non-profit organizations, but it certainly has created a greater appreciation or emphasis on financial performance, which is directly inspired by the key vulnerability in the non-profit sector: the ongoing need for sustainable, predictable funding.

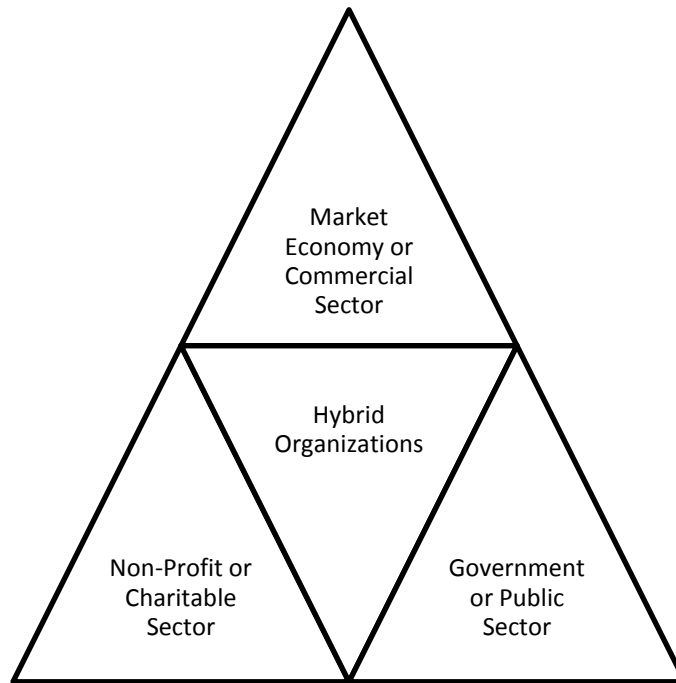
The result of the for-profit sector's influence has created some sector blurring or sector-bending: "a wide variety of approaches, activities and relationships . . . are blurring the distinctions between non-profit and for-profit organizations, either because they are behaving more similarly, operating in the same realms, or both" (Dees et al, 2003, p. 16). Dees and Anderson (2003) describe the application of for-profit approaches as spanning four types of behaviour:

1. imitation (adopting and converting to business strategies and approaches);
2. interaction (interrelating with for-profit organizations as competitors, contractors or collaborators);
3. intermingling (via the creation of hybrid organizations or social enterprises that have both for-profit and non-profit components);
4. industry creation (exploiting market forces for the creation of social value). (p. 16).

⁵ Survival anxiety was coined by Edgar Schein (2010), and refers to the motivation to learn to increase defensiveness abilities and avoid threats (p. 305).

The Boulding Triangle developed by Kenneth Boulding and François Perroux maps out the terrain of these shifts in dominating characteristics in the following way:

Diagram #4: Adaptation of the Boulding Triangle



Williams, 2014

In this representation, sector blurring or bending, lives in the centre between and involving characteristics of more than one sector (Perroux & Boulding, cited in Paquet 1996, p. 4). The apexes represent the purest form of the different sectors, where the inner province represents organizations embodying different levels of integration, best termed as hybrid organizations.

So what are the benefits and what are the risks to sector-bending? According to Dees and Anderson (2003), the benefits include:

1. more effective and appropriate resource allocation;
2. more sustainable solutions;
3. increased accountability;
4. greater financial strength and capacity. (p. 19-20)

These benefits seem to point to greater financial sustainability and overall improved performance and capacity. If that is so, why are for-profit strategies not applied more readily? The answer is that the risks of such an application are significant particularly because the production of social value may be somehow compromised. More specifically, the risks include:

1. threats to direct social performance (including the potential for mission drift, a decline in the quality of service provided, and a decline in advocacy efforts);
2. undermining indirect social benefits (reducing social capital and a waning charitable character);
3. bifurcation into haves and have-nots (reinforcement of class differences as a possible consequence, when certain vulnerable group interests are placed above another and provided with greater means or resources). (Dees & Anderson, 2003, p. 21-24)

The only conclusion that can be drawn is that non-profit organizations may apply for-profit strategies potentially at their own peril; however, if applied wisely, such strategies may help to advance an organization's mission and mandate and make the organization more viable and resilient long term.

So if applying for-profit strategies, while presumably mitigating the aforementioned risks, is an innovative way to achieve sustainability and long term resiliency, what are some of the most successful results or strategies? Creating a social enterprise is generally considered one such strategy and depends on "business and voluntary organizations [joining] together to create a business that promotes a good or service to the community and results in profitable sustainability for the non-profit organization" (Crosby, 2006, p. 18). Young (2012) offers that it is becoming common for non-profit organizations to develop for-profit subsidiaries under certain conditions

(p. 33). And not surprisingly, these ventures rely heavily on non-profit organization's key asset: social capital. The ability to innovate is developed when social capital can be accrued as a product or asset to the organization at every level. If organizations are effectively managing knowledge creation as an edifying process of accumulating and sharing wisdom, then extraordinary things can occur in an organization, including the opportunity to take on innovative financial sustainability strategies (p. 20). If this process is further maximized by sharing between the sectors and collaboration, even more possibilities may be explored. Social enterprise can be "a means of mission-focused sustainability and partnership between the two sectors" (p. 25). And according to current research, non-profit leaders feel that positive outcomes are possible "through partnership with business, especially where there is an understanding of what the voluntary sector does and when there is mutual respect for how both sectors can collaborate with and impact each other" (p. 54).

Social enterprise is an entrepreneurial approach with a policy aim of "not-for-profit or more-than-profit" (Haugh, 2005, and Allen, 2005, as cited in Ridley-Duff, 2008, p, 291). It is considered wealth accumulation with a social purpose and there is no ideological objection because the orientation is to encourage reinvestment into the social economy and channel resources to "the collective needs of socially excluded groups" (Ridley-Duff, 2008, p. 293). A social enterprise is therefore not only compatible with social objectives, but with financial ones as well. It allows a non-profit organization to pursue financial sustainability and rely less on unpredictable revenue sources. A social enterprise may also help to increase legitimacy by providing stronger measurements for success (p. 307). I believe, however, that not all organizations can partake in social enterprise because they "do not have a natural link, the time, or the resources to develop a social enterprise solution to their funding woes" (Crosby, 2006, p.

28). Additionally, not all entrepreneurial approaches have positive financial results (Luke, et al, 2011, p.320). The ability of a social enterprise to create a mechanism for the production of social value is a strong argument and opportunity to align mission objectives with outcomes.

Can entrepreneurial approaches be a positive support to non-profit organizations? Entrepreneurial approaches are essentially innovative. Entrepreneurial leaders “recognize opportunities by managing risk and uncertainty in order to create wealth” (Tilley & Young, 2006, p. 80). In this vein, the production of social value can be made harmonious with an entrepreneurial vision, because entrepreneurship is linked with “wealth creation, economic development, innovation and jobs” (p. 81). It is thereby concretized in its role in the sustainability of communities.

So what skills can non-profit organizations learn from entrepreneurs? Ruvio, et al (2010) conclude that there are six behavioural factors that lead to successful entrepreneurship, and five of these appear to have application for non-profit leaders. These five behavioural factors include:

1. communication (transfer of vision);
2. inspiration (strategy and action oriented);
3. realism (consideration of the ‘bottom-line’);
4. conservation (formal sustainability considerations);
5. flexibility (role of competition and adaptation). (p. 151)

Both entrepreneurs and non-profit leaders and their respective environments cogitate between states of stress, comfort, growth – and innovation.

Conceptually, entrepreneurial approaches can and should leverage an organization’s core skills and resources (Luke, et al, 2010, p. 333), and such approaches rely on three key elements: “innovation, identifying opportunity and growth” (p. 317). Entrepreneurial approaches should

enable an organization to take risk, be proactive, and invest in opportunity without compromising basic values, mission or key services (Morris, et al, 2007, p. 15). The major advantage to the adoption of entrepreneurial approaches is the “potential for enduring benefits and recurring rather than one-off or sporadic profits within a business” (Luke, et al, 2010, p. 320).

But entrepreneurial approaches require leaders to be more transformational than transactional. Such approaches also necessitate that employees and volunteers receive more discretion in their roles, and that boards be more active and engaged (Morris, et al, 2010, p. 20 & 28). One compelling study though reveals that being entrepreneurial “does not translate into better performance in terms of revenues, expenses, assets, volunteers, donations and other outcome measures” (p. 33). Is this because an entrepreneurial market orientation cannot come without the cost of losing orientation to other funders? And if funders are lost, how does an organization answer the question whether diversity in funding is critical to sustainability and long term success? Simply doing things better or being more innovative is not necessarily going to enhance financial performance (p. 33). Ensuring financial sustainability in non-profit organizations may simply be more complex.

Luke, et al (2010) offer additional important cautions with respect to entrepreneurial approaches, which include a reality check about the volatile nature of market orientations and the associated risk inherent to entrepreneurship (p. 314). Morris, et al (2007) argue further that this apparent risk-taking, given a non-profit organization’s social purpose and multiple stakeholders, may result in misunderstandings and implications that can put a mission in jeopardy (p. 12). Both agree that a strategic approach which is well-structured will permit for an innovative and

adaptive practice that potentially ensures positive organizational outcomes (Luke, et al, 2010, p. 314; Morris, et al, 2007, p. 13).

b) Community Collaboration

Also explored in relevant literature is the concept of collaboration, and in particular, community collaboration. Community collaboration is a broad, complex and growing field of study and variously defined to include collaboration between disciplines, sectors, organizations, or even programs. For the purpose of this study, community collaboration refers to the collaboration between two organizations for the purpose of bolstering capacity, securing more predictable revenues and being more impactful in the delivery of social value. This definition spans two current kinds of collaboration cited in literature: Organization-Centred Integration (OCI) and Interdisciplinary Community Collaboration (ICC). OCI concerns itself with improved network effectiveness, efficiency gains and increased organizational stability (Blickstead, Lester & Shapcott, 2008, p. 11). ICC brings “diverse professions, groups and organizations together to improve community conditions and the lives of marginalized and vulnerable populations” (Bayne-Smith, et al, 2008, 251).

Community collaboration is a means to counter capacity limitations, including deficiencies or gaps in current services which affect an organization’s key constituency or service group. Typically, collaborations are inspired by a shared vision, such as social justice, and they are challenged by environment, politics, control issues and “balancing differences among organizational actors” (Bayne-Smith, et al, 2008, p. 263). Building a successful collaboration relies on four key components:

1. member capacity (knowledge and skill to work with others, positive attitudes and the ability to create and build effective programs);

2. relational capacity (internal and external relationships);
3. organizational capacity (strong leadership base with skills, relationships and vision to create collective outcomes along with existing formalized processes and plans);
4. program capacity (strong design, implementation and evaluation of associated programs with an aim to deliver upon the desired goal). (p. 253-254)

These core components suggest that the opportunity to build new capacity and resiliency exist where there is strong mutual interest in collaborating and producing social value. The key principles and findings of Bayne-Smith, et al (2008) suggest that consensus and a focus on commonalities rather than a focus on differences, as well as a focus on success rather than failure helps participants achieve desired outcomes (p. 258). And not surprisingly, perhaps, leaders participating in community collaboration need to be able to “harness the commitment and contributions of others with others to move the enterprise ahead” (Mizrahi & Rosenthal, 2001, as cited in Bayne-Smith, et al, 2008, p. 264).

Functioning as a different kind of community collaboration is the relationship between an organization and its volunteers. Non-profit organizations rely heavily on volunteer support, which means that operational decisions may inspire volunteers or potentially turn off support. McDonald and Warburton (2003) describe this relationship between volunteer and organization as a “social coalition” and a means to help create a more “civil society” (p. 381, 382). Volunteers need to be engaged deliberately because they play a critical role in “constructing what we term the institutional order within organizations, and they are likely to be equally important as carriers of change” (p. 382). Non-profit organizations need to view volunteers as a segment of the society working within the non-profit organization and as such, representing the pulse of the

community and its potential for ongoing support. Additionally, therefore, non-profit organizations and their leaders must be particularly astute in managing the volunteer experience and positioning volunteers as key agents in the promotion of positive transformation within the organization (p. 384). They must also “deploy volunteers efficiently, such that they have no dead weight loss” (Bowman, 2009, 492). Bowman (2009), speaking in economic value terms, refers to the creation of negative value through inefficient management of volunteer resources, such as assigning volunteers to tasks poorly suited to their skills. Additionally, non-profit organizations must appreciate that volunteers provide both economic and social value, enabling an organization to potentially increase scope and capacity (p. 493).

c) Social Capital

Social capital means many things. It lives in people as the collective potential benefit that exists because of cooperation. It is the quality of interaction that enables communities to be strengthened. It is defined by its function, facilitating certain actions of individuals who are within a social structure (Colman, 1994, as cited in Infed). Social capital is a non-profit organization’s most precious asset. It must be nurtured through learning and knowledge development and enabled through a supportive environment or system. Social capital without a knowledge management system cannot be effectively leveraged.

Learning is the development of social capital and learning sustainability is related to the codification of knowledge, but takes it one step further and considers the environment necessary to develop knowledge and use it to transform an organization, which is critical to priming the innovative environment. Prugsamatz (2010) argues that “non-profit organizations are learning organizations and have embedded learning processes and systems that exist at the individual, team and organizational level” (p. 262). A culture of learning must be sustained in order for a

non-profit organization to refine services, advance operating practices and principally improve on the delivery of performance goals related to the provision of social value. Non-profit organizations must embrace “continuous transformative change” and this requires a great amount of innovation and learning (p. 244). To support the development of this asset, an environment must be achieved that inspires “openness, creativity and experimentation” (p. 245). Leaders must model behaviour that demonstrates a hunger for knowledge, a desire to constantly improve skills and encourage the organization to create a positive and productive organizational culture. An organization’s culture or environment influences the learning that takes place within the organization (p. 246 & 250). Learning is at the heart of innovation and transforms “how an organization thinks and how its actions range from an individual within the organization to the organization itself [and] can affect its ability to adapt to the changing environment and the different challenges thrown its way” (p. 246).

Senge (1990) offers the insight that learning organizations, and by extension, innovative organizations, must be able to replicate their positive results reliably, and on a meaningful scale at reasonable costs (p. 5). Of particular concern to non-profit organizations wishing to take on a didactic nature, Senge offers the following considerations and instructions:

1. Apply systems thinking and an understanding that each person has influence and that some influence is hidden from view. Endeavours are therefore bound by interrelated actions that cannot often be truly understood by a snapshot in time.
2. Promote personal mastery. See reality objectively and encourage the discipline of continual clarification and deepening personal vision and

developing a special level of proficiency and individual commitment to lifelong learning in the self, in others, and organizationally.

3. Understand the role of mental models, which are deeply ingrained assumptions that influence how we see the world and act upon it. Develop a discipline to work with this awareness and balance inquiry with advocacy.
4. Build a shared vision which is genuine and supporting of people excelling and learning (because they want to, not because they are being told to). This involves unearthing and developing shared pictures of the future that foster genuine commitment and enrollment rather than compliance.
5. Inspire team learning because a team produces unexpected and sometimes, extraordinary results, and because individuals grow more rapidly as well when engaged as a team. Promote genuinely learning together with suspended assumptions (p. 7-10).

Knowledge management is the practice of recognizing, cultivating and sharing organizational knowledge that lives in human resources. Knowledge management systems can assist a non-profit organization to lower costs, focus on resource optimization, develop a competitive edge through enhanced processes and quality, and be more proactive in response to environmental challenges (Bezjian, et al, 2009, p. 53). Lettieri, et al (2004) advances the notion that knowledge and social capital is a non-profit organization's key asset and competitive edge, and that knowledge generation, sharing and exploitation seem to be necessary "to create NPOs [non-profit organizations] that are innovative, flexible, effective and efficient" (p. 17).

Knowledge creation and sharing, however, is yet another intangible measurement and must be sustained through policy and structure, or "codified" (p. 22) so that it can be accumulated and

become generalizable and shareable. Knowledge is a powerful tool when it is accessible, relevant and widely dispersed. Otherwise, it cannot be appropriately exploited to permit for continual performance improvement.

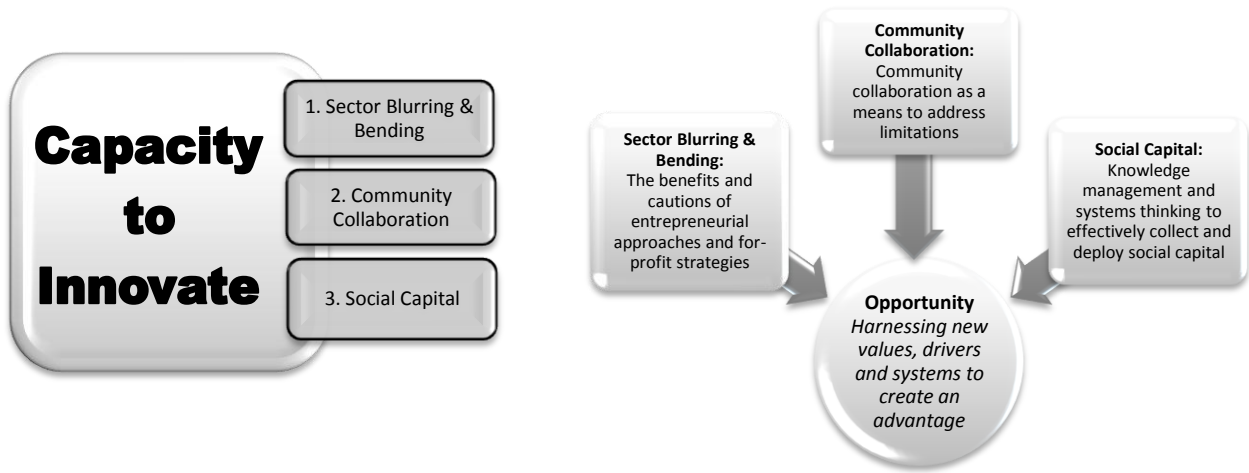
Codifying knowledge makes practical sense, but when we consider that non-profit organizations are comprised of both small, local organizations that rely wholly on volunteers, and large international organizations with thousands of members and/or branches (Lettieri, et al, 2004, p. 17) we begin to understand how difficult that codifying can be. And consider that often non-profit organizations are limited to focusing on short term resource allocation and strategies (because of funding structures) which may provide immediate results, versus long term strategies where the benefits may be unclear (p. 18). Therefore, knowledge management must be intrinsically tied to information systems and strategic planning so that its reach may be enhanced and its value understood. If knowledge lives in people as social capital (members, staff and volunteers), these assets must be appropriately exploited as a commodity of the sector and applied effectively to address the aforementioned challenges. It makes perfect sense that social capital may be non-profit organizations' biggest asset, but again it is hard to manage and hard to document. The problem goes back to fiscal determinants of business dominating models of success and accountability.

Capacity to Innovate = Opportunity

In today's market, with exceptional competition, growth of the non-profit sector, decline in welfare support systems, new operational stressors, the absolute power and authority of funders, and market freedom, non-profit organizations need to harness new values and thinking, and understand the drivers to establish an advantage. The non-profit sector must become more innovative (Morris et al, 2007, p. 13). Typically a non-profit organization does not have a profit

motive, but it is clear that financial sustainability strategies may in fact promote in such organizations a greater sensibility towards profit, if not growth and the ability to meet the demand for services or expand to meet new demands. Organizations concerned with innovation must adopt a shift of the mind, or *Metanoia*, of “being part of something larger than themselves, of being connected, of being generative” (Senge, 1990, p. 13). Organizations that want to develop the capacity to innovate their business model need to be constantly learning and applying that learning.

Diagram #5: Capacity to Innovate



Williams, 2014

Summary

Attaining financial sustainability is complex. A multifaceted range of skills, competencies, approaches and attitudes are required. Organizations must be innovative, inspired and creative. The environmental stressors may not be controllable, but in order to stand apart from competition and maintain appeal to funders, organizations need to employ proper business sensibilities, take advantage of opportunities, maintain a financially cautious position, and stay mission focused. In summary, financial sustainability can be assessed by examining the following key organizational features:

1. Financial Practices:

- a) Planning must consider short and long term goals and a clear understanding of costs.
- b) Reporting adequately describes the organization's financial condition, including strengths and weaknesses.
- c) Funds are used transparently to help promote credibility and legitimacy to prospective funders and stakeholders.

2. Fund Development:

- a) Fund development is an active priority for an organization, supported by appropriate resources.
- b) There are diverse income sources (minimum five, representing 60% of earnings).
- c) The organization has its own income generation mechanisms (unrestricted assets).

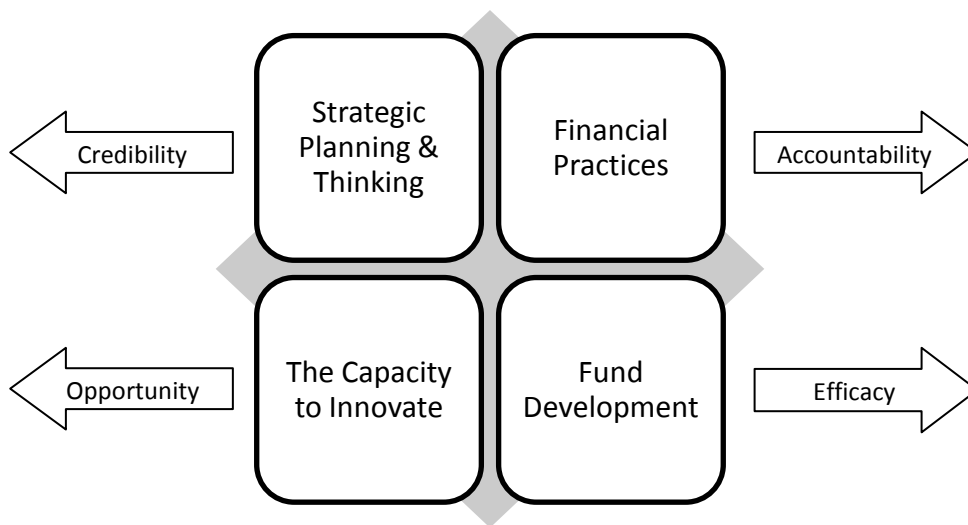
3. Strategic Planning and Thinking

- a) Sustainability is a deliberate and strategic approach by the board and staff and mission attainment is considered alongside revenue assurance.
- b) The organization has strong, effective leadership and a proper, functioning governance model.
- c) There are well articulated strategic and operational plans with ongoing performance monitoring and analysis.

4. Capacity to Innovate

- a) The organization has contemplated the adoption of for-profit strategies or there is evidence of sector bending or blurring.
- b) There is evidence of interdisciplinary community collaboration to address limitations or needs.
- c) Knowledge is collected, shared and effectively deployed to transform the organization and the organization is able to respond to change internally and externally.

Diagram #6: Theorizing Financial Sustainability



Williams, 2014

Section 3: Methods

Introduction

For this study, the aim was to begin with minimal assumptions and to present findings that are adaptable and transferrable. The process was intended to be bricolage, relying on methodological pluralism, having both a quantitative and qualitative approach to data collection.

The research took the form of in-person qualitative interview sessions with the leaders of five non-profit organizations. These interviews were preceded by fact-finding quantitative research, to generate a basic profile of the participant organizations. This exercise helped prepare me and the respondents for the interviews, and permitted for a thorough investigation. The research did not concentrate on a single site, but rather involved five non-profit organizations. Through an examination of detailed portraits of financial sustainability, this study reveals what is required to create and enhance financial sustainability by revealing what is present and not present in the participant organizations. Policy and programming implications are an inherent by-product of this analysis.

A Qualitative Interview Study

A qualitative interview study is an inductive approach, whereby the information gathered is through an understanding of the environment and either direct or indirect participation of the researcher. It requires analytical perceptiveness on the researcher's part of the participant's actions, ideas and views in the context of a social setting that incorporates processes, policies and expectations of behaviour.

Qualitative methods, such as participatory action research, discourse analysis or grounded theory use the access into a participant's world for the purpose of engaging in a particular environment and exploring causation factors. An interview study was particularly appropriate for this research because it is intimate, immersive and concerned with the study of empirical data. It

is flexible, reflexive and responsive. It permits for some important structure and some exceptional precision, because, as the researcher, I have the opportunity to study financial sustainability strategies in a non-profit environment that utilizes said strategies.

My study focused on the depth of data not the scope or number of participants. As a qualitative approach, I looked for diverse and assorted data. I was also interested in understanding the conditions that permit success, such as programming choice, conditions of deployment, resources, donor base, fit and appeal, and other factors.

The intention of the study was to learn about the operations of non-profit organizations, to observe and ask questions. The study was both an exploratory and explanatory exercise.

During the study, I reflexively identified successful strategies for financial sustainability, in addition to strengths, weakness, opportunities and threats. I worked to understand the conditions that exist that contribute to success. My aim was to get good understanding of operations. My priorities were to listen, observe, be curious, open-minded, adaptable and make connections. The exploratory phases mentioned herein led to explanatory phases along the process, where I determined themes (for coding) and conducted validity testing.

Data Collection

Each session took the form of a series of conversations, written communication and emails, which culminating in an interview. Interview time was restricted for parity so that the level of information collected was consistent. Including pre-screening and fact-finding exercises, independent research of each organization's website, CRA filings, annual reports and financial results, each participant organization contributed approximately one business day of time to the study.

Some questions were posed within a certain value domain where answers were straight forward and numerical, while other questions were qualitative and open ended. Data collection included observation, semi-structured interviews and primary research based on an analysis of financial statements, strategic planning documents and other material shared by each organization. Interviews were conducted in February of 2014, on site at each of the participating organization's operations.

The quantitative dimension of the study was restricted to verifiable facts concerning the organization's funding sources, size of the organization, length of time the organization has been in operation and organizational capacity with regard to fund development. The qualitative dimensions of the study were concerned with probing organizational beliefs, organizational behaviour and leadership views and practices related to financial sustainability. With my questions, I investigated effective financial strategies, factors negatively affecting financial sustainability, and whether or not activities were ever adjusted to take advantage of funding opportunities. I was also interested in identifying any inconsistencies between stated organizational beliefs and actual practices.

Pros and Cons of Chosen Methodology

A qualitative interview study is interpretative and limited in the sense that it relies on subjective knowledge. It is further limited to what is accessible and existing. I also found it a challenge to interpret what I experienced (Dey, 2002, p. 109). Overt observation may also cause a change in actions, so I was mindful that my presence might influence behaviour or opinions. A qualitative interview study also requires the researcher to adopt a certain way of knowing to become sensitized enough to adeptly understand and process the data. To this challenge, I brought my internal knowledge of the sector and experience as a non-profit leader.

Another concern with this methodology is the longevity with which the data may be relevant. Business environments are dynamic, stimulated by competitive conditions and constant change. What may work one year, may not work the next. Teasing out principles and strategies, versus examples of programs or activities was important to not only assure that the data stays germane, but that it is generalizable. I was looking for actionable research results and new knowledge.

Critics of these methods say that findings are not reliable or valid because they are based on interpretation (Yanow, 2009), p. 189). However, I believe that my approach presented many advantages that advanced the research question, not the least of which was the opportunity to be immersed in a particular organization's operations and to see the challenges and solutions of financial sustainability from the leadership's perspective. Non-profit organizations can benefit from a richer understanding of the sector, its challenges and successes, and by extension, so can communities at large. An interview study provided the necessary depth and quality of data required to earnestly investigate this topic and may even generate interest in future research.

An interesting benefit of my approach was that through careful observation, I noted that considerations came to light that were not even known to the organization participating in the study, including what was absent from consideration and what was dominant. Additionally, qualities related to group dynamics, environment, and governance are not easy for participants to describe objectively, but their views are nonetheless vital to contextualizing why one strategy may be effective over another. The process was therefore didactic for both myself as the researcher, and the participating organizations.

An Interdisciplinary Approach

An interdisciplinary approach is justified only by a complex system, in which the system is multifaceted (Newell, 2001, p.1). In a non-profit environment, conditions can be viewed as different and distinct, depending on the perspective or point of view one takes. Relationships between processes and supports are non-linear and to some extent, operations are self-organizing and often very dynamic. An interdisciplinary approach enables the researcher to draw insights from relevant disciplines and integrate those insights into a more comprehensive understanding of a particular understanding (p.2). An interdisciplinary approach was therefore uniquely applicable for this study. Though it relies on integration, it produces a result that is more than the sum of its methodological parts.

While conducting this study, I drew from many research methods, all of which are qualitative in nature. Research methods, simply put, refer to the “process of initiating, implementing, analyzing and reporting research” (Crowe & Sheppard, 2012, p. 1494). I applied cultural competencies and sensitivities which added to the credibility insights gleaned (Suh et al, 2009, p. 194). I drew from my internal knowledge of the sector to decode organizational elements, common practices, and internal language. Discourse analysis aided me in my interpretation of the data because the process “concentrates on the analysis of knowledge formations, which organize in institutional practices” (Talja, 1999, p. 460). And, though I was not primarily concerned with documenting similarities among organizations, I did apply a purposeful approach and employed the constant comparative method (CCM). Doing so meant I was using a grounded theory approach in which the main intellectual tool is comparison, wherein through analysis, categories are assigned for the purpose of summarizing content to “discern conceptual similarities and . . . discover patterns (Tesch, 1990 as cited in Boeije, 2002, p. 392).

Selection Criteria and Purposive Sample

The commitment level of each organization was reasonable. However, I was sensitive to the interview process being considered an intrusion into operations, requiring time and resources. Because I work and volunteer in the sector, I am sympathetic to the demands put upon organizations that have few resources and may be reliant on volunteer support. I am pleased to report that despite the challenges I expected, I was able to identify many willing organizations.

Criteria for selection beyond a formalized permission, willingness and ability to participate, included my desire to create organizational profiles representative of the core non-profit sector. My aim was to report findings that are generalizable. I wanted to ensure that the majority of non-profit organizations could duplicate the conditions identified and achieve similar results. This strategy was to ensure that my research might benefit the vast majority of non-profit organizations.

Ultimately, I identified five organizations that represented one or more of the following basic characteristics:

1. Organizations at various stages of development and maturity (age diversity)
2. Organizations either dependant or independent of government funding
3. Organizations of various size (staffing numbers)

Additional characteristics of interest included:

1. Organizations experiencing challenges aligning their scope of services with actual financial resources (i.e. having difficulty responding to the pressures of increased demands for services or the downloading of services);

2. Organizations employing or considering social enterprise or retail strategies (i.e. development of their own income source) to mitigate financial risk or to shift their revenue profile to one that is more predictable;
3. Organizations having innovated or considering innovating their business model to either meet demand for services or attract new funders;
4. Organizations exploring new or different revenue sources due to competition or the loss of perennial funding sources; and
5. Organizations employing unique expense control strategies.

Statistics Canada recognizes the International Classification of Non-Profit Organizations (ICNPO system⁶), which I used to identify and classify the diversity of participating organizations to secure a representational group. For this study, I focused on identifying five organizations that could be considered common place in any community. I also selected organizations that play a direct role in serving as society's social safety net.

All organizations are located in Canada and are locally governed. The organizations have a local/community, regional or provincial scope. All organizations are large enough to have staff and management teams, in addition to a board of directors, which speaks to a certain level of infrastructure and vulnerability due to overhead costs.

Some may consider similar market conditions as relevant to ensure external variables were consistent, but the priority of this study was to understand organizations, not simply compare their similarities. Therefore, it was not a priority for me to select organizations operating in the same community, region or province. All of the aforementioned considerations and conditions further isolated the final candidates.

⁶ The ICNPO system clusters organizations into 12 major categories and 24 subgroups.

Section 4: Cases

Introduction

Financial sustainability relies on sound financial practices, active fund development, strategy planning and thinking, and the capacity to innovate. In examining five non-profit organizations, I review how each organization is engaged its own financial sustainability. I provide a basic organizational profile and business model statement and an overview of each organization's finances, including observations about its financial management practices and financial condition. I review approaches to fund development, associated resources, outreach tools and leadership thoughts on future funding models. I provide insight into each organization's strategic planning and thinking, which includes a review of what plans have been generated, a summary of its governance model, how it is addressing limitations in resources and attending to its own preservation. I also consider the organization's capacity to innovate, including observations about organizational flexibility, adaptability and creativity. I conclude each case with observations about what is absent and dominant in that data.

The assessment tool utilized at the conclusion of each case may be readily applied to any non-profit organization to self-assess and inspire deeper conversations and activity related to non-profit financial sustainability. The tool is a product of the conceptual framework used to organize and present relevant theory on financial sustainability and to examine the data from participant organizations.

#1: Feminist Organization

Basic Profile

The first organization is a community based feminist organization, which has been operating since 1976. The organization has two mandates: direct service and social change. Primary activities include: education and development, career training, referrals and counseling, individual and political advocacy, research and policy development, and community engagement and community development. Statistics Canada would classify this organization as Group 4: Social Services, because services and programs include *self-help, prevention, alleviation* and *development*.

The organization is locally governed, serving a rural, county population base of less than 50,000. There are five full time staff and four part-time/seasonal staff. The organization has but two staff members who interact with approximately 1,200 women per year in its main support programs; however it experiences an additional 2,000 touch points throughout the year with women through community outreach. The organization does not rely on significant volunteer support and there are no paid members. There is a volunteer board of directors comprised of 10 community members.

Business Model Statement

The organization is committed to social rights, justice, equality and the liberation of women from oppression, sexism, racism and poverty. Programs promote personal development, personal dignity, empowerment, health, self sufficiency and autonomy, and are facilitated by core funding secured annually from provincial government sources, which have consistently provided program and operating grants.

Financial Practices

As reported from year end statements for 2013, the organization had annual revenues of \$479,348 and expenses of \$488,429 (deficit of -\$9,081). Provincial government, spanning three different departments represented 78.5% of revenues. An additional 0.5% of revenues were from municipal government. A mix of fundraising, non-governmental grants, and private sector sources, such as the United Way made up 15% of revenues. A small portion of revenues (6% in 2013) were flow-through funds⁷, concerned with a feasibility study⁸. The funds received were equal to the funds spent.

Wages and salaries represented 79% of expenses with an additional 5% allocated to infrastructure costs and 3% allocated to travel and development costs. The remaining 13% of expenses were administrative and office-oriented costs, including taxes and insurance. Office space is owned and some maintenance was provided in-kind, but not recorded.

It is the practice of the organization to contract an outside accounting firm to conduct an independent annual review of financial statements (unaudited). Each year, the organization establishes an operational budget with projected revenues and expenses, which is approved by the board of directors. The budget is a basic line-by-line budget, which is monitored by the executive director and the board regularly throughout the year. The organization employs a part time bookkeeper and uses an auditing firm to conduct its annual review.

The organization does not report any cash flow issues and has access to reserve funds to offset a deficit should it emerge. In this mature organization, the leadership reports a degree of comfort in anticipating revenues and expenses, setting a reasonable budget and making expense

⁷ In this instance “flow through funds” refers to funds received for a restricted purpose, inside or outside of the core mandate. The funds spent on the initiative were equal to the funds received and did not incorporate overhead costs or staff salaries. The organization acted as a broker or agent for the spending of these funds. It is common place for funders to supply grants that non-profit organizations then spend against an approved initiative or program. In some instances, there are allowances to include overhead costs and salaries, in other instances, all dollars are completely restricted for use against the declared mandate of the initiative or program and therefore do not provide any additional operational/administrative support or capacity to the organization.

⁸ The organization undertook a feasibility study to investigate the metrics of a social enterprise involving in-house clinical services.

decisions. Even with a budgetary deficit in 2013 of -\$9,081, the organization posted a net surplus of \$55,774 due to cash assets.

Funding levels have remained similar over the last five years. Provincial funding increased slightly from 73% to 78.5%. Provincial funding has been in place for more than 15 years and was initially the result of successful lobbying efforts. Currently, the organization does not have any earned income sources (i.e. social enterprise or traditional fee for service structures). Fundraising activity is comprised of direct mail and events and only became a source of revenue in the last three to five years.

Expenses have increased at a much faster rate than revenues. Wages and salaries have increased to represent 79% of overall expenses; that represents an increase of 26% in five years due to additional staff positions and modest salary increases. Utility costs have increased by 60% in the last five years, and travel and training development costs (due to a shift in demand for services) have increased by 50% in the same period.

The largest expense for the organization is wages and salaries. Other expenses, save travel, training and development and utilities, have remained flat. Each year, a significant expense management conversation between the executive director and board is whether or not the organization can afford wage increases and what if any new efficiency can be found. When expenses pressures emerged in 2013, the organization pulled back on bookkeeping services to create more front-line capacity. It has also introduced more job sharing, and staff are described as “multidimensional and efficient.”

Fund Development

Nearly 50% of the executive director’s time is dedicated to securing funding, with the majority of that time spent stewarding government partnerships. A few volunteers, board and

staff offer an additional 30 hours per month of time spent on fund development. The organization spent only \$306 on fundraising in 2013.

The organization uses a variety of outreach tools, including traditional media and editorial opportunities, advertising, an annual report, a website, social media, special events and word of mouth. These tools are used to report on the organization's activities, connect clients to services and to solicit support and enhance profile. These activities represent negligible costs to the organization (\$265 in 2013). The organization also recently started collaborating with a marketing agency to further enhance its profile and it has applied for a grant to pay for these services.

The organization cites concern over the reliance on government funding, which it feels puts it "in a precarious position and at the whimsy of elected officials." Limitations in funding opportunities affect service delivery opportunities and changes in government "undermine progress."

Additionally, the organization's primary government department funder is focused on reactive based investments instead of a creating a sustainable community development model. The vision of the funding and resulting services is lagging behind the need of the communities. This situation has created tension between the organization and its funders because the organization is simultaneously advocating and at odds with the position of government while also stewarding an ongoing partnership which is critical to the organization's mission. The executive director describes this tension with the organization's key funder as a challenging "dynamic which presents itself daily in operations."

I asked each organization what its future, desired funding model might look like. I wanted to understand what each one felt was a more financially sustainable model than its

current one. The executive director has a vision of government funding continuing to play a critical role, but representing only 50% of total revenues. Social enterprise would represent 30% of anticipated revenues, and fundraising from private donors and project funding would balance out the revenues at 20%. This model would address the slow growth in government funding and the perennial reliance on the province. It would also introduce the organization's own income source, to provide more capacity to meet the needs discussed of its community.

Strategic Thinking and Planning

The organization completed a strategic planning session in 2012 involving both the staff and the board. A formal strategic plan was not developed, but notes from the session outline some basic considerations around programming, succession planning, resource building, and communication. The organization has not completed a written operating plan. Performance is monitored by the executive director and the board and concerns and actions are recorded in board minutes. The organization sets short term fundraising goals (annual) and progress is recorded and monitored by the executive director and the board.

The executive director has been with the organization for three years, and during that time, has led the organization through significant governance reform; aligning the client-focused interests of the staff with the strategic goals of the board. A self-described "peace-maker and referee," the executive director introduced what she refers to as a "policy governance model," with defined roles and responsibilities, to an organization that described its previous leadership model as a "collective" previously, the staff not only carried out the responsibilities of the day-to-day operations, but also served in board roles alongside volunteers from the community. This reform suggests a significant revamping and reorientation of power within the organization, which the executive director views as a positive step in increasing governance and organizational effectiveness.

The change in governance also helped the organization tackle its internal stakeholder resistance⁹. Staff members were struggling with the decisions of certain board members because in their view, these decisions seemed disconnected with operational priorities. The volunteer board members felt that the staff lacked big-picture thinking and were “interfering with progress.”

The executive director was specifically hired to help unite all parties and was able to engender buy in from the staff by generating new revenues in support of programs that had significant meaning for the staff, primarily through special events. Though some staff did not weather the changes, the organization is now more fully aligned and the board and staff have become more collaborative, each with clear roles, thus allowing the organization to be more functional and non-combative.

Governance changes have also enabled the board to focus its recruitment efforts on more high profile members of the community who are in positions of influence. Screening has migrated from espoused feminist ideas to a prospective candidate’s competency, experience and professional network. Board training has also allowed the board to “think beyond the one woman who walks through the door,” The executive director still acknowledges tensions between the old and new, but the organization is working to embrace its diversity, be it diversity in ideas or generational diversity. The organization now sees these differences as representative of those it serves and therefore, considers such differences valid and important.

I asked each organization if it felt it was meeting the needs of its constituent group. I wanted to probe what pressures were being brought to bear on its current capacity and scope of

⁹ A phenomenon in which outsiders to a community organization work to disrupt, challenge or even change policy or actions. Resisters are often closely affiliated with the mission or cause but attempt to limit the independence of the decision making within the organization charged to address the mandate (Buchanan & Bradshaw, 2011, p. 1).

service. I also wanted to see if there was alignment between available funding opportunities and the mandate's primary needs.

The profile of the feminist organization within the community is described by the leadership as strong among those stakeholders who interact with the organization. The executive director feels that the organization is "easily found by those that need the service," and that the organization is "well respected."

However, the volume of cases in relation to available resources holds back access to program resources for other needful women. Over the last number of years, the organization has developed a wait list, which is impeding on its ability to respond to women in crisis. The executive director describes this development as necessary, but against the intention of the original mission statement which was to respond readily and directly to women in crisis. As awareness has grown about the organization's programs and services, new pressure is challenging its ability to respond. Leadership acknowledges that it lacks capacity and to some degree, skill, to deal with the new and more complex issues, in addition to the increasing volume of demands.

Changes that beg acknowledgement include a reduced number of legal aid attorneys within the welfare system. There are also new needs related to child apprehension, individual advocacy and support for women who commit crime. The last two years have been particularly intense for the organization as it has worked to increase its in-house skill and resources to meet the changing needs of clients. In particular, the executive director feels that there is an immediate need to retain an in-house attorney and therapeutic counselor.

An additional new trend within the community being served is increased immigration, which has put the organization in the position of developing community capacity to support new

families and promote integration. These changes are requiring that frontline staff not only respond to the needs of existing clients, but also get out into the community and become involved in community development projects, engaging new stakeholders and representing new interests.

Of particular interest to me, were approaches that an organization takes to inconsistencies between stated organizational beliefs and actual practices. This first organization confessed that it is no longer a “first come, first serve” or “immediate access” organization. They are trying to prioritize cases and manage its wait lists based on need. It is investing in professional development for staff to increase knowledge about financial management, responding to trauma, and legal advocacy. These pressures certainly frustrate both staff and the leadership, but the organization is committed to continuing to try to meet the needs of its clients.

Barriers to progress beyond funding and resources include new burdens in the processes within the welfare system. A change in the nature of dialogue with professional services and authorities has also emerged, and the executive director describes the services as “no longer accessible or cooperative.” The executive director and staff have felt a shift in the welfare system, which they believe has become process heavy and with fewer people who have the capacity or authority to make decisions quickly or easily. These new pressures are felt daily within the organization, and there is little direct control that the organization feels that it has to change the new reality.

Capacity to Innovate

The organization is currently economically dependent on provincial funding to support its operations. As government continues to restrict funds in many applicable program areas, the board and staff are working with other similar organizations provincially to lobby for continued funding to support its mandate. This collaboration is a form of interdisciplinary community

collaboration as similar groups are identifying common needs related to organizational goals and activities.

There is also a debate currently within the organization about expanding operations to include social enterprise. The executive director supports the organization taking on clinical services in the form of direct therapeutic care; however, the board remains hesitant about borrowing capital and taking out a loan to seed the enterprise, despite a favourable feasibility study and willing lenders.

Competition is also a factor. Increased sensitivity by the community at large about the need to provide sexual assault support services has created a recent upsurge in competition among existing non-profit organizations for new funds, and fostered the development of new non-profit and governmental agencies wishing to capitalize on the political support that has emerged.

To address the change in the market, the organization has shifted its case for support from value based (focused on the needs of women in the community) to the economics of what the organization provides, namely building employment opportunities. The executive director describes this new approach as “making a business case,” which is arguably the application of a for-profit strategy. This business case articulates how many women have become employed through the organization’s programs, the success of re-entry programs and the number of women “taken off the system.” This migration from “not just asking for help” to explaining “what [it does] in economic terms” has made the organization’s outreach more sophisticated and deepened its mandate’s connection to other economic advancements in the community. The mandate now has broader appeal and connects to other goals that the community has set.

In order to preserve the mission critical services of the organization, the executive director is politically active. Board members and staff are also involved in many community and governmental committees in which they can influence perceptions and guide policy development. The executive director describes the activity of political networking and collaboration as critical to ensuring that the organization does not become just “the cause of the week.” Though the organization has a good profile within the community, provincially it feels that it does not have the same profile as other organizations. Getting powerful female advocates involved in its efforts is a primary preservation activity.

Observations

SWOT

Strength	Weakness	Opportunity	Threat
Stakeholder engagement	Use of planning instruments	Social enterprise	Competition

Financial Practices: Currently, the organization has an audit review conducted by an accounting firm, but fully audited financial statements would be a more rigorous examination of financial practices and could provide more detailed financial data to consider. The budget is a line-by-line budget which provides basic information about expenses and revenues, but revenues and expenses are not associated directly with individual programs. Connecting line expenses to programs may prove helpful. Some in-kind services provided to the organization are not recorded, and though this can be a common practice among non-profit organizations, it regrettably means that costs and benefits are not transparent to all stakeholders. It is clear that financial reporting and planning has been established as a routine within the organization, but that financial tools and analytics may lack necessary detail to inspire deeper and more strategic discussions between the management and board.

Fund Development: The addition of a membership program and volunteer program has the potential to generate more capacity for fundraising and community support. Volunteers may not be able to be engaged in operations due to required skill-sets, but they can be engaged to help generate profile and fundraise. Members can become champions for the organization within the community, in addition to contributing to operating expenses. This organization's engaging in a feasibility study to evaluate a prospective social enterprise opportunity is very prudent and should be instructive and persuasive. The reason for the board's continued reticence is unclear and worthy of scrutiny. The organization also invests very little in fund development and outreach. Focus on donor cultivation along with stewardship of donors would also be worthwhile, and assist the organization in creating more unrestricted assets. However, the organization may need to become comfortable with investing in fundraising as a result.

Strategic Planning and Thinking: The organization does not have a written or fully articulated strategic plan or operating plan. These tools can help to manage expectations and ensure that the board, management and staff are on the same page. The adoption of a "policy governance model" appears to have assisted the organization achieve new functionality. However, it is hard to ascertain if this new model has helped leadership prioritize sustainability as a deliberate and ongoing strategic approach wherein the mission is equally valued and pursued alongside the resources to steward it effectively. The organization must also undertake long term strategic planning and short term operational planning. Notes kept during the planning process identify many ideas, activities and objectives and some strategies and tactics to build upon. Absent, however, are considerations that identify broad strategic goals linked with specific operational imperatives, clear timelines, desired outputs or outcomes, and mechanisms to measure success. These tools may help leadership achieve greater alignment on priorities, but

especially in the development of the aforementioned social enterprise, inclusive of therapeutic services which would provide a new revenue stream. That new revenue could address the organization's over-reliance on government funding.

Capacity to Innovate: The organization is engaged in an effort to sophisticate itself and its operations, as evidenced by changes in governance and the exploration of social enterprise. There is also evidence of community collaboration: within the rural county with government and community leaders, and provincially with other feminist organizations. The organization is also starting to think about how to develop and deploy social capital. The executive director is active in communications with government stakeholders, but the addition of new well positioned and influential board members will also help to raise profile and aid in the organization's capacity to advocate for the needs of women and share trends it has identified in the service environment.

Assessment

#1 Sound Financial Practices	0-3
Clear short and long term financial goals, which outline minimum income and costs required to deliver the stated mandate and mission	2
Clear and transparent financial reporting, which is robust and instructive and can be used strategically to aid in decisions	1
Funds are used efficiently and transparently, thus aiding in promoting organizational legitimacy	2
#2 Active Fund Development	
Fund development is an active priority for the organization supported by appropriate resources	1
There is a diverse range of income sources (specifically a minimum of 5 income sources representing at least 60% of earnings)	1
The organization has its own income generation mechanisms to produce unrestricted assets that can be used at the organization's discretion	1
#3 Strategic Planning and Thinking	
Sustainability is a deliberate and strategic approach by board and staff and mission attainment is considered alongside revenue assurance	2
The organization has strong, effective leadership and a proper, functioning governance model	2
There are well articulated strategic and operational plans with ongoing performance monitoring and analysis	1

#4 The Capacity to Innovate	
The organization has adopted entrepreneurial approaches, for-profit strategies and exhibits sector blurring or bending	1
There is evidence of interdisciplinary community collaboration to address limitations within services	2
The organization has effective knowledge management, exhibits systems thinking and can effectively utilize, collect and deploy social capital	2

Grading

- 0 – not applicable/not present/no organizational awareness or not a focus of the organization
- 1 – applicable/in development/insufficient or limited data to support or evaluate
- 2 – fair and reasonable or standard/some data to support or evaluate
- 3 – superior organizational awareness/excellent metrics/extensive results

#2: Public Foundation for Mental Health

Basic Profile

The second organization is a public foundation, which has been in operation under its current name since 2004. Under a previous name, but with a similar mandate, the organization was founded in 1987. The foundation has a mandate to provide program grants to advance the interests of those living with mental illness. Primary activities include: fundraising, education and awareness-raising, and granting programs. Statistics Canada would classify this organization as Group 8: Philanthropic Intermediaries and Voluntarism Promotion, because its primary mandate can be described as a *grant-making foundation*.

The organization is provincial and locally governed from a major urban centre. The foundation serves a population in which it is estimated that 200,000 suffer from mental illness. There are five full time staff, and two part-time/seasonal staff. Approximately 100 volunteers are engaged yearly to assist largely with special events and fundraising. There are no members. There is a volunteer board of directors comprised of 16 community members.

Business Model Statement

The organization aspires to provide hope, opportunity, and a sense of community to those affected by mental illness by providing a sustainable network of philanthropic support, developed from special events, private donations, sponsorships and program revenues. Funds are used to support other agencies providing programs and services and to raise awareness for the need to create a high level of mental health care.

Financial Practices

As reported from year end audited financial statements for 2013, the organization had annual revenues of \$1,331,078 and expenses of \$796,308, which permitted \$534,770 to be distributed as grants. A total of \$539,564 was distributed in 2013, leaving the organization with a

deficit of -\$4,794. The majority of revenues were from special events (57.6%). Donations followed, representing 36.6% of revenues, with the remaining revenues of 5.8% coming from programs¹⁰ and investment income.

Fundraising expenses attributed to special events represented the majority of expenses (46.1%), where salaries and wages represented 35.3% of expenses. The remaining 18.6% was comprised of administration and office oriented expenses, including marketing, professional fees, bank fees and insurance.

It is the practice of the organization to contract an outside accounting firm to conduct an independent financial audit annually. Each year, the organization establishes an operating budget with projected revenues and expenses, which is approved by the board. The budget is monitored by all levels of the organization. The organization employs a part time financial officer.

The organization does not report any cash flow issues and has the ability to determine the amounts granted each year based on funds raised. Each year, the organization must fundraise for the dollars it grants. It does not pull from an existing endowment as some foundations do. In addition to dollars for grants, the organization has \$1,070,557 in restricted funds designated for various programs including a transitional residency. These funds were raised by a one-time capital campaign. Cash and equivalents totaled \$396,798 at the end of 2013. Net assets for the organization were \$2,042,258 and have remained consistent for the last three years.

Funding levels were higher in 2012 due to a capital campaign. Revenues raised through special events in 2013 were 20.3% less than in 2012. Other donations were also significantly higher in 2012. The organization raised \$703,948 in donations in 2012 versus \$486,666 in 2013, a decrease of 30.9%. Increases in fundraising allowed the organization to designate \$1,068,150

¹⁰ The organization benefits from revenue earned by health authorities which is divided among a number of different groups. In 2013, these program revenues were \$60,448.

to housing support in 2012. In 2012, total foundation grants were \$1,336,896 versus \$539,564 in 2013.

Expenses decreased in 2013 by 40% overall, a portion of which is attributed to savings as a result of a change in leadership. Wages and salaries decreased by 30.5% from \$404,718 to \$281,107.

Expense control discussions revolve around events. Efforts are being made to convert more hard expenses into in-kind support. In the past, all paid partners “were just given the business” and the organization reports an erosion of service and support over time, in which the commitment by a vender has decreased despite the investment by the foundation being the same (as represented in cash payments or sponsorship recognition). Along-side this erosion in value, the organization’s needs have changed. The result has been more hard costs levied on the organization and greater effort required to cultivate and steward new and existing sponsors and stakeholders. With respect to events, event suppliers have represented the biggest costs.

Salaries and wages have also remained dominant conversations. Of late, recruitment and severance costs have been stressors affecting expenses.

Fund Development

The organization employs a senior fundraiser who is devoted to all fundraising activity. The president/CEO also spends over 70 hours per month on fundraising with a specific focus on relationship building, stewardship and networking. The remainder of the president/CEO’s time is spent on finance and administration-based activities. Volunteers lend an additional 140 hours per month to fundraising, related mostly to special events. For the last two years, the organization has employed paid third parties to fundraise. The organization spends considerable dollars on fundraising (\$367,309 on special events in addition to professional fees).

The organization uses a variety of outreach tools, including an annual report, a website and social media. Staff estimates that the organization receives \$50,000 in creative and branding services and \$40,000 in promotional video production support through in-kind agency partners. The organization is also able to secure \$25,000 in free media and advertising and \$10,000 in free printing. Associated with special events programming, the organization receives \$20,000 in free audio/visual technical production support and \$50,000 in donated items, including items donated for use in event auctions. The organization spent \$26,258 in 2013 on marketing and public relations.

Competition is a challenge to fund development. The leadership feels that the market is challenging for all charities, with many requests competing for the attention of funders. It is the opinion of the leadership that the organization is perceived as larger than it actually is. It does enjoy a good level of profile and support; however, management does note the development of new organizations that are trying to speak to the same mandate, presumably because of the perceived success of this organization's performance and both are now vying for the same dollars. Because this is a granting organization, the leadership is also privy to a unique view of the market, and from its perspective, more organizations are looking for support.

The organization cites concern over its reliance on events. Its signature event is entering its 23rd year, and the fundraising director feels that the organization needs to be "cautious about putting too many eggs in one basket," adding that the focus on special events also "prohibits focus on other fundraising programs that may show promise." When the organization has been able to focus on other kinds of fundraising, such as the capital campaign of 2012, strong results were achieved. But it is the view of the fundraising director that support dropped off when stewardship stopped after the campaign. Essentially, there was no more focus and effort placed

on talking to the donors. The organization has identified a need for new capacity to support all desired fundraising program development and associated ongoing stewardship. It wants to keep new and perennial donors. The board and staff are working to diversify revenues by introducing a more consistent approach to other fundraising programs, including the annual campaign. The organization has also eliminated the use of professional services to fundraise.

When I asked what a potential future funding model might look like, staff described an interest in developing reliable and predictable fundraising programs, such as monthly giving. Staff see the merit of a “multi-pronged fundraising plan” with diversity in funding sources, including private donors, sponsorship, event revenues and planned giving.

Strategic Planning and Thinking

The organization completed a strategic plan in 2012 which set a new direction, revisiting the mission, vision and values, desired outcomes and setting specific strategic goals, which include: increasing community funding, building stronger relationships, heightening awareness and reducing stigma, growing and diversifying revenues, and creating organizational capacity. The plan details not only specific goals, but related key initiatives. Due to a change in leadership, there is no current operating plan, though it has been the practice in the past to have one. The organization is a fundraising organization, so there is particular emphasis on setting short term, detailed fundraising goals, which include the development of an annual fundraising calendar.

The board is very corporate in orientation and values, with strong clear divisions in roles and responsibilities. With that said, the board is comprised of both those emotionally connected to the cause and those able to leverage resources for the cause. Serving as board members, are diverse leaders from the community, representing the fields of medicine, education, finance and various industries. The organization has considerable influence in the corporate sector with

sponsorship development because it has been able to engage a board with strong networking capabilities and authority.

The organization's strategic planning process brought new focus and alignment to the organization. An important finding was the perception that event programming had become disconnected from the value position of the organization. It had become "stand alone entertainment with no connection to the mission." Though the event raised less in 2013 than in 2012, the staff and board felt that the event was better connected to the organization's purpose and vision in 2013. The leadership has additional changes in mind, such as the greater use of volunteers rather than paid third party fundraisers; that move will help control costs. The organization has strategically emphasized the need to tell their story more authentically.

There have been dramatic changes in leadership in recent years with three presidents/CEOs in just five years. All leaders were quite different and the view of staff is that the changes had a significant impact over time, including fluctuations in funding.

Leading up to the most recent change, the organization was "in a paralyzed state, experiencing a full year of stall." This situation resulted in the organization only being able to think short term as the board determined what the leadership profile should be. The changes in leadership "affected the ability to create a structure for the case for support" because the organization "always seemed to be asking for something different."

Prior to the most recent hire, the strategic planning session of 2012 was undertaken. This was a way for the board to generate clarity about strategic goals and about leadership needs. Transitioning from a president/CEO with a fundraising background, it hired a well known public figure, with an established professional network in the community. The board wanted someone who could build relationships and engender immediate confidence in the organization. Though

the present president/CEO is new to the non-profit sector, the board clearly feels that it now has someone in place with the right skills and expertise to deliver the goals set forth in the strategic plan. The new president/CEO has already made some changes, adding a new event coordinator role to permit for the fundraising director to focus on other program development.

Similar to the first organization, this organization does not feel that it is meeting the needs of their constituents. As a foundation, it is receiving more requests than it can meet. Even more than their stated goal of \$500,000 can accommodate. This discrepancy begs the observation that organizations are setting goals that may appear reasonable within their operational context in terms of historic financial performance, but that are still not representative of the actual needs of the community.

The organization admits that more research is needed to quantify the actual needs of its constituents and to consider trends along side of the strategic goals of the organization. The staff wants to better connect operating and strategic goals with its current and future financial performance, and the current and future needs of those the organization serves.

Inconsistencies between stated beliefs and practices have been dealt with swiftly and severely with changes in leadership and dramatic changes in staff, including a full turn over under the last president/CEO. Staff confesses to view some of these changes as “personality driven” whereas the board feels that it has approached changes with a view to finding the best fit for executing the strategy and vision. The new president/CEO, however, is no longer arbitrating between the views of staff and the views of the board. The organization is experiencing a new level of functionality and calm. The obvious question is whether or not the peace that has been achieved is by virtue of the leadership being new, an evolving sense of comfort, or is it that the organization has finally attained desired alignment?

Capacity to Innovate

As a fundraising organization, adopting for-profit strategies is not as relevant to this group. Their innovation is specific to how to better raise funds in a traditional charitable manner. Of particular importance to the leadership is a goal to raise enough to give away \$500,000 in grants which the organization succeeded in doing in 2013. This stated aspiration was the first goal the organization has set in recent history in which the board, president/CEO and staff all agreed and were aligned.

To continue to build on this success, the fundraising director wishes to develop a specific case for support for the granting program, along with focusing on the annual giving campaign. The organization wants to exploit the potential identified during the capital campaign. Adding new in-house fundraising capacity and shifting roles and responsibilities are two critical ways that the organization intends to respond to the goals set out by the board.

There have been some significant recent strides with the development of new strategies to preserve the mission and operational changes to support said strategies. A clear focus is fund development resourcing and renewed programming focus. Managing expenses with a view to convert hard costs to in-kind services is another preservation tactic being employed.

Most importantly, the organization is concerned with remaining functional long term. The hiring of a new event coordinator is intended to help absorb event activity so that the fundraising director can work on developing new partnerships and re-engaging existing partners in new ways. The president/CEO is focused on building relationships with community stakeholders currently not engaged, and is also taking up policy and advocacy work. Though new to the experience of running a non-profit organization, the new president/CEO is at ease acting as an ambassador for the organization and the cause.

A renewed focus on the organization’s value position and making donors feel that they are creating change is also the governing message in the organization’s new case for support. The organization clearly wants to feel that it is making a difference and it wants to share that sense of accomplishment with its donors and sponsors. The board remains focused on the merit of special events, so the staff is having to find a balance between stewarding its successful event program alongside of initiating growth in other promising program areas.

Observations

SWOT

Strength	Weakness	Opportunity	Threat
Planning	Changes in leadership	New funding opportunities	Expense of special events

Financial Practices: The organization has solid financial practices. The budget is presented with a good level of detail, and a clear view of what assets are restricted and what assets are not. It is not a program budget, but the presentation is clear and easy to understand. There is an emphasis on setting goals for revenue generation along side of meeting goals to grant a targeted amount of dollars embedded within their financial reporting and planning. Significant in-kind resources are procured annually and should be recorded so that full costs are understood in context.

Fund Development: The organization has very detailed fund development plans, which include a calendar with specific targets, timing and sources. The organization invests considerably in fundraising and outreach and has dedicated resources to pursue financial support. The organization is reliant on special events, but within that portfolio, there are many separate funders. A new staff member has also been hired to assist the organization with pursuing all desired fund development programs. In particular, this shift in approach hopes to reduce reliance

on special events, which are considered expensive. Providing extra resources to fund development is a sensible decision given the clear opportunities that have been identified and the likely return on investment.

Strategic Thinking and Planning: The organization has struggled with leadership over the last five years, which has led to feelings of fear and uncertainty among staff. It has also led to inconsistencies in fund development approaches and loss of momentum with critical programs that showed initial promise. The organization has hired a public figure as their new president/CEO who has undertaken significant outreach activities to bolster the organization's profile with funders and stakeholders. It remains too early to evaluate if the leadership will be able to maintain the new alignment that appears to be present between the staff and board.

Of particular importance for this organization going forward is the need to articulate clear operational plans which examine how the management and staff plan to execute the strategic goals which have been outlined. The focus on fund development planning is one critical aspect that the organization has undertaken, but in order to foster continued alignment between the staff's activities and the board's vision, the organization will have to adopt or develop tools to chart and measure outcomes for all strategic goals. The board and staff relationship is also mission-critical and must continue to be nurtured to ensure success.

Capacity to Innovate: It is unlikely that this organization will adopt entrepreneurial or for-profit approaches, and evidence of community collaboration appears limited to the funding it provides to mental health programs. However, leveraging social capital through its leadership is something that the organization is exploring and should continue to develop.

Assessment

#1 Sound Financial Practices	0-3
Clear short and long term financial goals, which outline minimum income and costs required to deliver the stated mandate and mission	3
Clear and transparent financial reporting, which is robust and instructive and can be used strategically to aid in decisions	2
Funds are used efficiently and transparently, thus aiding in promoting organizational legitimacy	2
#2 Active Fund Development	
Fund development is an active priority for the organization supported by appropriate resources	3
There is a diverse range of income sources (specifically a minimum of 5 income sources representing at least 60% of earnings)	2
The organization has its own income generation mechanisms to produce unrestricted assets that can be used at the organization's discretion	3
#3 Strategic Planning and Thinking	
Sustainability is a deliberate and strategic approach by board and staff and mission attainment is considered alongside revenue assurance	3
The organization has strong, effective leadership and a proper, functioning governance model	1
There are well articulated strategic and operational plans with ongoing performance monitoring and analysis	2
#4 The Capacity to Innovate	
The organization has adopted entrepreneurial approaches, for-profit strategies and exhibits sector blurring or bending	1
There is evidence of interdisciplinary community collaboration to address limitations within services	1
The organization has effective knowledge management, exhibits systems thinking and can effectively utilize, collect and deploy social capital	2

Grading

- 0 – not applicable/not present/no organizational awareness or not a focus of the organization
- 1 – applicable/in development/insufficient or limited data to support or evaluate
- 2 – fair and reasonable or standard/some data to support or evaluate
- 3 – superior organizational awareness/excellent metrics/extensive results

#3: Health Promotion Organization

Basic Profile

The third organization is a public health entity focused on nutrition. The organization was recently established in 2012. Prior to 2012, the mandate for providing nutritional programming was vested in an existing government program, housed and facilitated by and within government since program initiation in 2005. However, government agreed with stakeholders via a 2008 consultation that an independent non-profit organization was better positioned to steward the mandate and allotted resources, and maximize associated community development. Government supported stakeholders to transition the program to a new registered charitable entity. The organization's objective is to support the nutritional well-being of children and youth and build their food knowledge and skills to ensure a healthy future. Primary activities include: provision of financial grants, program support and resourcing, capacity building, nutritional expertise and public education, and advocacy. Statistics Canada would classify this organization as Group 3: Health, because primary services include *public health and wellness education, public health promotion, and health education.*

The organization is provincial in scope and locally governed. The organization supports the delivery of nutrition programs and meals. Their services reach over 122,000 children each year. Currently, the organization provides a sustainable source of partial program funding to approximately 85% of schools in their province. Last year, the programs served in excess of four million breakfasts to students in grades primary to 12. There are two staff, a full time executive director and a 0.8 FTE fund development and administrative support person. The organization relies on approximately 3,600 volunteers who are engaged by schools and collaborate to deliver

programs in schools. There is a voluntary board of directors comprised of seven community members.

Business Model Statement

The organization is committed to cultivating a generation of healthy eaters and nourishing children and youth by promoting and supporting food and nutrition programs in partnership with communities and schools. Its vision is facilitated by core funding from the provincial government and it also accepts donations from individuals, groups and corporations interested in supporting the food future of the province's children and youth.

Financial Practices

As reported in their 2013-2014 budget projections, for the first official operating year, the organization anticipates annual revenues and expenses of \$918,799. Provincial government funding spans two department programs and represents 98% of funding (\$750,000 in program grants and \$150,000 in an administration grant). For the remaining 2% of revenues, the organization anticipates support from corporate and private donors. There is also an additional \$37,993 on the books carried forward from a transition grant provided by government to form the organization in 2012.

At this stage of the organization's development, anticipated expenses are uncomplicated and not presented in detail. The \$750,000 in program grants is recorded as flow-through funding¹¹ and will be allocated directly to collaborators for the delivery of programs in schools. There are no retained administrative fees to manage these funds and the organization relies on school volunteers for delivery and facilitation. Salaries and wages represent 14.6% of expenses. The remaining 3.8% of expenses is attributed to administration and offices oriented expenses,

¹¹ In this case, flow through funding refers to restricted funds that are for the purpose of programs only. The organization retains no dollars for operations. They act as a broker to determine how and where to spend program dollars.

including fund development costs, professional services and board expenses. The organization also benefits from in-kind office space.

As a requirement of its funding arrangement with government, the organization must retain the services of an auditing firm to conduct an annual independent audit within six weeks of the end of its fiscal calendar. The budget drafting process was collaborative between the staff and the board and the intention is for the monitoring process to also be collaborative. The organization has volunteer support for regular bookkeeping.

As a new organization, the mandate was created with both seed money and ongoing core funding from provincial government. The transition from a government program to an independent non-profit was managed carefully over two years. The process even weathered changes in government.

The organization has a very tight budget and because it is still in the early days, it is difficult to project all possible needs. It considers itself “a learning organization” and has therefore included a small budget for professional development which it intends to share among board members and staff. All strategic planning will be tied to current financial resources with a view to future growth. Of particular concern in the next 18-24 months is developing a way to support compensation and operational expenses.

Fund Development

The executive director reports spending approximately 45 hours per month on fundraising activities, which include meetings with government stakeholders and participating in policy-oriented projects. The executive director describes much of the work with government partners as “relationship maintenance and development.” Volunteers also provide support to fundraising, contributing in excess of 115 hours per month on stakeholder development and trying to identify new willing donors. The organization has been able to secure in-kind resources

for fundraising software (data management for constituents, valued at \$1,800) by working with a local start-up company as a test case. The 2013-2014 budget projections indicate that the organization anticipates spending \$6,500 on fundraising, but it is unclear at this time what the organization will be able to raise with these resources and what models of fundraising they will find effective.

The organization uses a number of outreach tools, including newsletters, media and editorial opportunities, an annual report, a website, social media, special events, word of mouth, and presentations to interested groups. Partners in health and school networks collaborate on the distribution of program information for maximum promotion and reach. The organization has been able to secure \$25,000 of in-kind support for the development of a website, a logo and some branding work.

With competition and under tough economic conditions, this new non-profit organization views the task of raising money a difficult one. However, it describes some inherent advantages: being a local organization, it raising money locally and spends it locally. It feels that this is a *point of difference* positioning over national organizations which push what members of the organization refer to as a “national versus regional mandates.” Nevertheless, the organization also accepts that it shares a common goal, so it approaches relationships as collaboratively as possible.

It comes as no surprise that the leadership signals the need to be more diverse in its revenues with a view to becoming more self sufficient. The leadership has a vision of a combination of revenues comprised of monthly donors, corporate donors and sponsors whose values are in alignment, special events, public and private sector grant streams and foundation dollars. Being a well recognized entity known for strong values, transparency and innovation

focused on the health and education of children and youth is what this organization feels will enhance its revenue development opportunities.

Strategic Planning and Thinking

The organization has a strategic planning process scheduled for 2014 and is currently working on its first operational plan and has already drafted a time table of proposed actions and activities. The organization has a well articulated mission, vision and purpose. Organizational principles include: integrity, creativity, respect, collaboration, support for the local (local food, people and products and services) and a commitment to excellence. The organization has set both short and long term fundraising goals and it acknowledges that the organization will “need to be flexible” as it proceeds “through a learning curve.” A detailed development plan includes consideration of data management, policy development, database implementation, donor prospecting and cultivation, goals and opportunities, associated financial practices, and roles and responsibilities.

The organization was co-visioned by community stakeholders and the participatory and collaborative process was supported by government. Community stakeholders included teachers, principals, and public health nutritionists. The executive director was a consultant for the affiliated department during the program’s transition and was then hired by the new board. The board consists of volunteers not only familiar with the original program, but members who have direct industry knowledge of the school system, and nutrition and dietary health. Board members are educational leaders, nutritionists and government employees.

The leadership feels that there is a lack of organizational capacity that in time will affect efficacy. It points to a need to draw on additional expertise in financial management and charity law. Leadership feels fortunate to be a non-profit with paid staff, but it also feel that 2-3

additional staff members would improve its ability to fundraise, raise the profile of its mandate and educate and advocate for the nutritional health and the well-being of children and youth. The organization's operational model suggests that it may likely never need to grow beyond a small staff if it is able to continue to rely on school volunteers to deliver programs and volunteers to fundraise.

There are a number of growing pains that the organization has experienced. As a new organization, it is experiencing difficulty in communicating that the programs it sponsors are connected to the organization and brand, not government. The chair and executive director also feel that there is a lot of "clutter and misinformation in the market about nutrition" which they refer to as "health washing". Therefore, the communication challenges are two-fold: the organization must communicate what it is and what it does, and what children and youth (and those in caregiver roles) need to know about nutrition and dietary health.

By far, this organization had the most unique governance model that I encountered. Using a self-described "community engagement model," the board and staff reject hierarchy as standard practice and embrace participatory principles that are inclusive and collaborative. The executive director and chair describe the core of their model as representing the organization's mission focus on children and youth; all decisions must benefit that core group. The organization has four main leadership teams populated by staff, board members and volunteers, in addition to champions and members. The executive director describes the engagement opportunities: "those most closely vested in the interests of the organization have an opportunity to fully participate." Collectively, the board, staff and leadership teams are responsible for the work and oversight of the organization, drawing on others as needed. The organization draws on facilitation techniques to inform its engagement practices.

There are three distinct layers to the governance model. The layers are described visually using colours, and are drawn out like a flower with extending petals from the core of the flower (the representation of “growth and from the earth” reflected in the mission and mandate). The first layer describes shared governance functions, such as advocacy, mutual accountability, cultural competency, government relations, evaluation and feedback, organizational learning, shared leadership, fiduciary care and strategic thinking. The second layer describes the leadership teams: the business team (budgeting and financial reporting, fund development and administration); the communications team (general communication, website, social media, public and media relations, creative design and special events); the organizational planning and core development team (organizational learning, professional development, succession planning, policy development and strategic planning); and the program team (program stewardship, development of new programs, standards and quality control, grant processes, program resource development, capacity building and volunteerism). The final layer describes the supporters and champions, which include the responsibilities of stakeholder development. This layer is where resources are recruited to serve the mission (volunteers, general public, sponsors, like-minded organizations, partners and donors). Though presented in an innovative and unusual way, all fiduciary, strategic and generative responsibilities of the organization are accounted for in this model. Leadership is shared broadly and subject matter experts are used strategically.

It is important to note that this model has been documented. The leadership acknowledges that the process to generate this model was difficult but intentional and it wants protect the original ideals and values that formed the organization “for when the founding members are long gone.” Leadership also recognizes that, presently, those who serve the organization are a group that gets along well personally and professionally and it hopes that the

structure that was co-created will weather anticipated future stressors and new membership, while also preventing potential stagnation. The staff and board have developed strong cohesion as a result of “intentionally taking the time to build personal relationships through the work.” They also use defined processes in their meeting structure to allow these relationships to continue to develop. The executive director and chair note that “good business people know that relationships are the key to all good business.”

The organization’s mandate is focused on environments where children and youth spend the majority of their structured time, namely the school setting. It is dedicated to supporting programs and policies that make school the “healthiest environment possible -- one where students and parents can feel assured that food served and offered at school promotes health and learning, and where making the healthy choice is the easy choice”.

The operational model requires programs to leverage additional support from their school communities in an “it takes a village to raise a child” approach. In future, with new revenue sources, the organization can have a broader nutritional mandate. However, strategically, it does not view itself as being responsible for raising or providing 100% of needed dollars, and it will continue to leverage the support of communities to contribute. Over time, the organization plans to expand beyond breakfast to edible school gardens, lunch and snack programs, vegetable and fruit campaigns, cooking skills programs, and farm-to-school initiatives. The executive director describes this model as one that “will always take a grassroots approach, looking for partnerships to help support and sustain programs in the communities where they operate.”

As a new organization, some might mistakenly presume the leadership is enjoying honeymoon phase. In fact, it has been a time of enormous transition and that can cause strain. With clear purpose and dedication, the board and staff have persevered through rigorous meeting

schedules and board obligations. The chair offers that “all board members and staff come from the same place of passion.” They have chosen to capitalize on the early decision making opportunities to build a collaborative culture which recognizes this passion. Each decision is consensus-oriented and participation is encouraged. The chair describes conversations about building organizational identity and brand as a process of “allowing all thoughts to come forward and allowing time for divergence.” Facilitation methodology has been a great asset to the organization along with designing clear roles and levels of engagement. The executive director describes favourably a process of doing physical exercises to develop clarity around where everyone is in terms of ability, interest and availability. These exercises “deepened relationships and helped to build a common vision; grounded in purpose.” Through these practices, they continue the migration “from the kitchen table to the boardroom.”

Capacity to Innovate

The organization is approaching its financial management carefully and not committing beyond its means. At this time, it is almost completely reliant on its government partners. The program granting dollars of \$750,000 has been consistent since the program began and the organization feels that these dollars are stable. However, there is also a requirement that 100% of these funds be distributed. The administrative grant (\$150,000) is a two year commitment and the carry forward transitional grant funds (\$37,993) was a one-time subsidy. The organization must now find the means to support its operations independently. The provincial government has indicated that it will not fund operations, only programs. This is a critical point in the organization’s development as the proverbial umbilical cord is severed.

Transitioning from a government program to a non-profit mandate may be commonplace, but approaches can vary. Beginning in December 2008, a review of the current program

funding took place in response to requests for changes from school boards, breakfast programs, community partners, district health staff and program representatives province-wide. A wide variety of stakeholders were consulted about program successes to date and how best to continue to meet the needs of school communities. The main issue identified was the lack of adequate funds available to support program growth and inequities in how funds were distributed to school boards (i.e. the enrollment funding formula did not take into consideration geographic disparities and socio-economic factors). Building on the work coming out of the consultation, community-led committees were struck: one to explore alternative funding delivery models and provide options for consideration to government, and another to develop a needs-based funding formula for more equitable distribution of program funding. The resulting work of these committees achieved two things. The first was a revised needs-based funding formula approved by government to equitably allocate funds to school boards. The second was the recommendation to shift the delivery of program funding to be under the stewardship of a registered charity. Such an organization would facilitate grassroots support and collaboration and would help to identify other funding sources, thereby growing and sustaining the programs. Additionally, the charity would be able to explore reducing the fundraising burden for school communities, expand funding to include First Nations' schools, and support the development of other beneficial programs, such as snack, lunch, school gardens, cooking and food skills education.

Credibility is very important to the organization and this has resulted in it taking a firm stand on who it will partner with especially pertaining to the food industry. The leadership sees advantages and disadvantages to this approach and it is willing to accept the risk. The organization's policy with respect to these values is very broad and includes not only nutritional concerns, such as the aforementioned "health washing," but also companies or products that

might adversely affect children and youth. These value-based decisions were not possible within a government environment, so the organization is distinguishing itself not only from other organizations with similar mandates and goals, but from its government predecessors as well.

The organization is exploring many tactics to be sustainable, including in-kind partnerships for goods, services and office needs. The board meets regularly to draw on the in-house capacity, diversity and strength of its volunteers. There is great trust and respect for one another and recognition that “everyone is pulling their [sic] weight.” Even though some initiatives do not have physical dollars currently available, they use creative ways, such as social media, YouTube and the web to consider solutions and say that in programs such as the organization provides “necessity is the mother of invention”. The organization’s members are also visiting other similar organizations to learn best practices and borrow ideas.

Observations

SWOT

Strength	Weakness	Opportunity	Threat
Internal trust and communication	Untested operational model	New funders and partners	Loss of operational funding

Financial Practices: There is insufficient data to draw conclusions about financial practices, but values being established suggest a keen appreciation for transparency. As a new organization, much remains unknown about its financial sustainability long term. This study can only measure what is present at this moment in time. The budget does not provide any detail about anticipated allocations of program grants in its forecast. Future budgets and financial reports should compare spending year over year, which will assist leadership and funders in understanding the organization’s reach, impact and gaps.

Fund Development: The organization is following a course which many non-profit organizations have done in the past; born of a government program, transferred to and imbedded in community to cultivate and grow. This suggests probable success, especially given the support of government to ongoing program funding. In fact, program funds appear quite reliable. However, the organization must now contemplate fund development opportunities for ongoing operational costs and new programming, and will soon test its principled approach against market competition and potential limited funding opportunities.

Strategic Planning and Thinking: The organization has given significant consideration to strategic planning and thinking, but it remains unclear if its values and strategies will weather changes in membership over the long term. Much attention has been paid to codifying its governance model, approach, vision and values but it is too soon to fully evaluate efficacy. There is also an established approach to monitoring outcomes through metrics, which appear quite sound and detailed. Even though the organization is new, the program is not, therefore, there is much data available to the organization and this will serve to inform future strategies, for goal setting and reporting. The staff and board have also given significant consideration to internal communication and keeping the staff and board relationship strong. Trust has been established and there is no evidence of ego.

Capacity to Innovate: The organization is maximizing its social capital through a distributed leadership model and extensive consultation with stakeholder groups, which suggests that it is keeping its focus in equal measure on both internal and external needs to manage expectations and identify and evaluate opportunities. There is an opportunity to broaden the diversity on the board and invite members into the fold who bring a perspective from outside

nutrition and government. A talent matrix¹² may be a useful tool for this board in future recruitment, given how involved board members are in operations. The organization is also engaging in interdisciplinary community collaboration to address its limitations with respect to outreach by plugging into existing networks. The adoption of best practices from other organizations is also sensible. At this time, approaches to sustainability are standard and traditional and it may not be appropriate to adopt for-profit or entrepreneurial approaches.

Assessment

#1 Sound Financial Practices	0-3
Clear short and long term financial goals, which outline minimum income and costs required to deliver the stated mandate and mission	1
Clear and transparent financial reporting, which is robust and instructive and can be used strategically to aid in decisions	1
Funds are used efficiently and transparently, thus aiding in promoting organizational legitimacy	1
#2 Active Fund Development	
Fund development is an active priority for the organization supported by appropriate resources	1
There is a diverse range of income sources (specifically a minimum of 5 income sources representing at least 60% of earnings)	0
The organization has its own income generation mechanisms to produce unrestricted assets that can be used at the organization's discretion	1
#3 Strategic Planning and Thinking	
Sustainability is a deliberate and strategic approach by board and staff and mission attainment is considered alongside revenue assurance	2
The organization has strong, effective leadership and a proper, functioning governance model	2
There are well articulated strategic and operational plans with ongoing performance monitoring and analysis	3
#4 The Capacity to Innovate	
The organization has adopted entrepreneurial approaches, for-profit strategies and exhibits sector blurring or bending	0
There is evidence of interdisciplinary community collaboration to address limitations within services	2
The organization has effective knowledge management, exhibits systems thinking and can effectively utilize, collect and deploy social capital	3

¹² A talent matrix examines individual competencies of members against desired competencies for the board. These tools can help identify imbalances and needs.

Grading

0 – not applicable/not present/no organizational awareness or not a focus of the organization

1 – applicable/in development/insufficient or limited data to support or evaluate

2 – fair and reasonable or standard/some data to support or evaluate

3 – superior organizational awareness/excellent metrics/extensive results

#4: Social Services for Persons with Disabilities

Basic Profile

The fourth organization is a community based advocacy and social services organization formed in 1992. The organization has a mandate to remove social and environmental barriers for persons with disabilities. Primary activities include: self-managed attendant services, education and employment access programs, community activities and events, research and policy development, and referral services. This is the only organization in the study that has membership with a national accrediting body which assists in securing funding from the federal government. This organization is one of 27 similar chapters across the country with the same mandate. Statistics Canada would classify this organization as spanning two groups: Group 7, Law, Advocacy and Politics, because programs include *protecting the rights and promoting the interests of specific groups* (i.e. persons with disabilities), and Group 4: Social Services, because services and programs include *services for the handicapped*.

The organization is provincial, but locally governed in an urban center. Statistics provided by the organization estimate that there is an affected population base of 202,780 in the organization's provincial catchment area. The organization has a membership base of 400 and these members are clients who benefits from services from the organization. There are five full time staff and four part time/seasonal staff, along with one contract staff member. Between 12 and 30 volunteers are engaged yearly to assist with programs. There is a volunteer board of directors comprised of 11 community members.

Business Model Statement

The organization is committed to providing persons with disabilities control and choice within the community. Programs promote independence and awareness about removing social

and environmental barriers and are facilitated by funding from provincial and federal government.

Financial Practices

As reported in the 2013 audited financial statements, the organization posted annual revenues of \$693,344 and expenses of \$694,301. (With net assets posted at the start of the year, the organization had a surplus of \$67,741). Government funding represented 89% of revenues. Other revenues, including program revenues, represented 11% of total revenues. This was down from 2012, which records total revenues at \$818,287. Government contributions were decreased by 12.4% (\$707,673 versus \$619,373) due to changes in programming supported by government.

In the organization's 2014 budget, revenue from both provincial and federal government funding is anticipated to be \$852,083, \$758,982 of which is provincial funding (89%). Government revenues span two federal program sources and six provincial program sources. Total revenues for 2014 are projected at \$883,695.

Factoring in incremental revenue that the organization anticipates from programs, changes the picture for 2014. Total revenues are projected at \$998,061, with an incremental \$104,167 in proposed program revenues and \$10,199 in donations and memberships. These incremental dollars are leveraged from the individual programs, which are seeded by government. In 2013, these revenues totaled \$67,637 and in 2012, these revenues totaled \$105,507 (a level that the organization would like to attain again).

The largest expense burden is programming, which represented 81% of expenses in 2013 (\$562,930). All but the remaining 1% was spent on management and administration or non-project related costs (18% or \$124,461), with \$6,910 spent on fundraising (events).

Program dollars are restricted and the budget for 2014 is presented as a program budget, with revenues and expenses assigned to each program specifically. Overhead and operating costs

are also factored in. Therefore, funds are not direct flow through funds, but account for all associated costs to deliver the program, such as rent, salaries, travel, office expenses and development. Total compensation was recorded as \$240,628 in 2013 representing 34.6% of expenses. Wages and salaries were 11.6% less in 2013 (\$272,307 in 2012). Professional services and fees represented 2.4% in 2013.

For 2014, total expenses are projected at \$964,626 with \$230,970 (23.9%) representing wages and salaries and \$876,049 (90.8%) representing project expenses (remembering that wages and salaries are also factored into program costs). Each individual program nets a balanced budget, save one that anticipates a slight profit. Overall, the organization anticipates a surplus of \$33,435 for 2014. The organization had a surplus of \$67,741 in 2013 and \$99,198 in 2012.

It is the practice of the organization and a requirement by government for the organization to engage an accounting firm to conduct an independent audit annually. Each year, the organization establishes a program-based, detailed operational budget with projected revenues and expenses, which is approved by the board of directors. The budget is then managed and monitored by the executive director throughout the year. The organization employs a bookkeeper to manage the day to day finances.

The organization does report cash flow issues and relies on reserve funds to meet cash flow needs. The executive director is very confident in budget design and identifying associated costs for projects and operations. The organization had \$222,842 in assets recorded at the end of 2013 of which \$88,112 was invested.

Funding levels have remained consistent for many years with some individual program variations. One federal program secured through the organization's national partner has been in

place for 22 years. Similarly, the provincial funded programs have been in place for between 9-20 plus years. In 2013, a five year old federal program was discontinued, which represented 4% of overall revenues.

The executive director notes concern that funding does not always consider inflation and associated salaries, wages and operating costs to run programs. The organization has had to become extremely efficient in administrating the programs and this has eroded operational support overtime. The organization is dependent on provincial and federal funding from a number of departments sources and is working with its national and provincial colleagues to lobby for continued funding to support its mandate. The executive director is currently scrutinizing other opportunities for alternative revenue generation to augment existing fundraising.

Currently the organization benefits from reduced office leasing costs, which have been subsidized by government. The current site is vacating all of its tenants and government has identified an alternative site for the organization, but it ironically lacks appropriate access. If the site cannot be made fully accessible, the organization will need to find an alternative office space at market price without a subsidy, an operational expense not previously shouldered by the organization.

The executive director describes the budget as “bare bones” with “not enough to cover all that needs to be done.” The project based-funding model effectively limits most discretionary spending. The organization feels that there are some gaps within policy with respect to expense management that create challenges, especially in regard to personal expense management.

Fund Development

Nearly 50% of the executive director’s time is spent on fundraising activities with a particular focus on government stewardship. Volunteers and staff provide an additional 140

hours per month of time spent on fund development, mostly comprised of special events. The organization has historically had an in-house fund development staff member, though at the time of this study, it did not. The organization anticipates spending \$22,505 on fundraising for 2014 (events).

The organization uses a variety of outreach tools, including traditional media and editorial opportunities, advertising, an annual report, a website, social media, special events, word of mouth and community partners and distribution networks. It anticipates spending \$5,949 on advertising and promotion in 2014.

The organization does benefit from program revenues but it does not currently have enough capacity to thoroughly pursue other kinds of fundraising, save some special events. Unlike other organizations in this study, this organization has been able to build administration and operational costs into flow through program funds, which is a clear advantage. Fundraising revenue has consistently represented less than 1% of overall revenues. In 2012, the organization fundraised just \$4,549, and just \$5,816 in 2013. It hopes to raise \$10,000 in 2014, but the executive director cites significant concern about the lack of available resources to shift focus to cultivating donations because so much time is currently required to stewarding government partnerships. The return on investment of spending \$22,505 to raise \$10,000 is also questionable.

Recent changes in government policies and funding priorities are directly impacting operations. The changes have fostered debate within the organization on what should be the focus of the executive director's job as it relates to fund development. The board feels that the organization should continue to focus exclusively on government funding, whereas the executive director feels that there is a need to "develop a robust fund development plan with work beyond

government proposals.” The executive director is also concerned with the burden of reporting to government, which is “costly from an administration standpoint.”

A future funding model would consider some government funding and more social enterprise through partnerships and perhaps fee-for service programs. The executive director has a vision of developing the organization’s greatest asset, its community (i.e. artists with disabilities), and exploring opportunities for community development that would also support the organization. A fund development plan would also explore and expand individual donations, corporate sponsorship and planned giving.

Strategic Planning and Thinking

The organization created a strategic plan in 2011, which outlined key goals, activities, indicators of success and expectations for reporting on said indicators. This strategic plan accompanied a business plan which outlined market conditions, market needs, growth and trends, a SWOT analysis (strengths, weaknesses, opportunities and threats), competition (alternative providers), marketing strategy, financial objectives, target markets, implementation considerations and contingency planning. The organization has also completed visioning exercises to draft its vision statement and values, which specifically highlight a commitment to community development, community leadership, the promotion of independence, education and activism. The organization sets short term fundraising goals (annually) and it created a sustainability plan that reviewed existing programs, current supporting activities, beneficiaries, funding streams, applicable policies and future actions for sustainability.

The organization interacts with just 400 active members/clients. The executive director acknowledges that those that have no direct connection with the organization have limited or no knowledge about the organization. Their profile among the general population is insignificant.

The three main programs are all driven by community need and one is driven by research interests that the organization undertakes to develop policy and programming for the community. The organization has found itself in a position in which its greatest competition is government which has taken proposals from the organization and developed and executed programs directly. As a result, the organization is now taking steps to protect its research and program development as intellectual property so that it can be the partner of choice to execute the needs it identify. This move would expand the organization's social enterprise-related activities beyond just program administration to monetizing program design and policy efforts.

The executive director has been with the organization for over three years, and during that time the board size and activity level has atrophied. One of the main focuses of the executive director/board relationship is fund development activity. The executive director has been building a case for why the organization needs to consider alternative fundraising strategies. The board remains concerned about the risks associated with shifting focus.

The majority of the board is made up of individuals with disabilities and is therefore regarded as representative of the community that it serves. This profile is also viewed by the executive director as a means to limit stakeholder resistance. The board is committed to policy governance, having a strong organization serving the community, having sustainable resources, contributing to public awareness, ensuring full community participation, and ensuring that the organization has strong leadership, with programs in support of people with disabilities. Strategically, the executive director, staff and the board are all aligned on program priorities.

The organization is located in an urban centre though it has a much larger catchment area. The affected population that it serves is estimated at 202,780, but it technically only reaches a potential 85,821 due to current resources and programming. Its membership/clientele is also

small (400), but if it had additional resources they would like to expand this group of stakeholders to act as educators, activists, fundraisers and ambassadors. The executive director does not currently feel that the organization is meeting the need in rural areas in particular, and the organization does not have “capacity on its own to expand into new areas or even develop a responsive strategy.” It has identified, however, that community partners offer an opportunity to succeed in this area.

The executive director specifically cites the need to have incremental fund development capacity within the organization, but the organization is lacking the resources to proceed. Investing in the organization to build new capacity is something the organization is struggling with. Until such time as new resources are available, it will be “unable to diversify.” In particular, the executive director cites concern that the “need for services for individuals with disabilities and seniors has grown, where support from government has declined.”

The organization also acknowledges that part of its challenge is that not all individuals in the disability community self-identify as having a disability, which makes it hard to articulate specifics to stakeholders. Part of this situation may be repaired with a stronger profile within the broader community, but increasing profile also requires resources. Currently those that self-identify as having a disability represent 20-22% of the population, but this does not consider all mental illness, short term injury related disabilities, or all age-related disabilities amongst a rapidly aging population base.

Also, there are specific gaps in resources for those with disabilities between the ages of 18 and 24; that gap has an adjacent negative straining effect on associated caregivers, namely parents. Additionally, the funding model for one of the main provincial programs uses a formula that considers the number of participants from the previous year, which has continued to

shortchange participants for the forthcoming year as numbers of participants are not always the same year to year.

The executive director also feels that team competencies are underdeveloped in relation to the needs emerging. Collaboration with health care organizations and on-line information sources has positioned the organization as a leading provider of information and services for the disability community, a position that is difficult to maintain with current resources.

Capacity to Innovate

The organization's mandate promotes a philosophy of independence, access and inclusivity, yet it has had to limit the contact it provides to clients and members because of operational constraints. This situation frustrates the executive director and staff. Examples of these frustrations include: the hours of operation the organization is permitted to keep, and the number of participants it can accommodate in a specific program.

Innovation has manifested itself in the ways that the organization aligns constituent needs with that of program resources and also in how program design and options are aligned with available funding. As needs are identified within the community, the organization works to see how it can address them. All programs are the direct result of needs identified, in a ground-up approach. Reconciling community needs with the resources available is a constant negotiation within the organization in terms of allocating resources, but also with funders in terms of identifying and maintaining support for program priorities. Operationally, the organization has had to be flexible, adaptive and creative.

The organization has also taken a hard stand on what activities it participates in. Its dedication to educating the broader community has required it to evaluate every opportunity as an opportunity to illustrate hidden barriers in the social and physical environment to persons with disabilities. This principled position has resulted in the organization's exclusion from important

activities and functions. By educating and informing on activities and functions that are inaccessible and refusing to attend ones that are not accessible, it hopes to raise awareness not just about physical barriers, but attitudinal ones as well.

The organization is committed to “staying true to the mission and mandate.” It feels that it is well respected for the work it does as leaders in developing policies and programs. The executive director feels that “drifting away from the key mandate and values results in a position that cannot be defended [to stakeholders].” Working with government has been enabling and fruitful. However, with anticipated future cuts to both provincial and federal funding (60-70% of core funding is expected to be reduced significantly in the next 18-24 months), the organization recognizes that it “need[s] an immediate plan to build new resources.” Identified in fund development plans include strategies to cultivate new income sources, namely private donors and corporate sponsorships.

Observations

SWOT

Strength	Weakness	Opportunity	Threat
Tactical budgeting with overhead	Board/ED lack of alignment	Community partnerships	Reduction in government funding

Financial Practices: This organization has comprehensive financial practices and a tactical approach to budgeting, which allows it to analyze its spending based on individual programs and has also yielded opportunities to incorporate at least some overhead cost consideration, which may not be novel, but is a clear advantage over other organizations that are unable to integrate operational expenses into program funding.

Fund Development: As an organization facing significant contraction in perennial funding, it must quickly align board and management views on which new funding opportunities

provide the most promise and how best to resource said strategies. The organization is struggling with the merits of investing in new staff to support fund development activity and it may be prudent to first articulate the fund development strategy with the most potential for success with specific goals and outcomes before new resources are added. Determining clear fund development objectives with consideration around audiences, timing and strategies, with achievable goals and reasonable investments is a good place to start. Contemplation about social enterprise is in its early stages and may be worth a feasibility study.

Strategic Planning and Thinking: Despite a strong focus and supporting documentation on visioning and planning, there remains a disconnect between the board and executive director about the importance and type of fund development activities that should be a priority for the organization. This may limit advancement on strategic imperatives. The organization would benefit from time spent analyzing this disconnect to see if it is symptomatic of something else before it starts to compromise the board-staff relationship.

Capacity to Innovate: Having a board representative of the constituency group served by the mission means that valuable community stakeholders are imbedded in the organization and can serve as strong agents for positive change. The organization has also indicated that expanding membership and community partnerships is important strategically. These associations may well present new opportunities for sustainability and growth and are well worth fostering. The organization appears to have many valuable resources to tap for ideas.

Assessment

#1 Sound Financial Practices	0-3
Clear short and long term financial goals, which outline minimum income and costs required to deliver the stated mandate and mission	3
Clear and transparent financial reporting, which is robust and instructive and can be used strategically to aid in decisions	3
Funds are used efficiently and transparently, thus aiding in promoting organizational legitimacy	3
#2 Active Fund Development	
Fund development is an active priority for the organization supported by appropriate resources	2
There is a diverse range of income sources (specifically a minimum of 5 income sources representing at least 60% of earnings)	1
The organization has its own income generation mechanisms to produce unrestricted assets that can be used at the organization's discretion	1
#3 Strategic Planning and Thinking	
Sustainability is a deliberate and strategic approach by board and staff and mission attainment is considered alongside revenue assurance	2
The organization has strong, effective leadership and a proper, functioning governance model	2
There are well articulated strategic and operational plans with ongoing performance monitoring and analysis	2
#4 The Capacity to Innovate	
The organization has adopted entrepreneurial approaches, for-profit strategies and exhibits sector blurring or bending	1
There is evidence of interdisciplinary community collaboration to address limitations within services	1
The organization has effective knowledge management, exhibits systems thinking and can effectively utilize, collect and deploy social capital	2

Grading

- 0 – not applicable/not present/no organizational awareness or not a focus of the organization
- 1 – applicable/in development/insufficient or limited data to support or evaluate
- 2 – fair and reasonable or standard/some data to support or evaluate
- 3 – superior organizational awareness/excellent metrics/extensive results

#5: Environmental Protective Agency

Basic Profile

The fifth and final organization for this study is a community-based environmental agency which has been operating since 1971 (registered in 1973). The organization has a mandate to respect and protect nature and provide environmental and economically sustainable solutions. Primary activities include: community engagement, research, conservation, advocacy, policy development, education, and market transformation projects¹³. Statistics Canada would classify this organization as Group 5: Environment, because services and programs include *natural resource conservation and protection, pollution abatement and control, and wildlife protection and preservation*.

The organization is locally governed and serves a provincial population. There are 40 staff, (equivalent to 33 full time staff). There are seven additional hourly staff members who do outreach activities. Over 300 volunteers are engaged yearly in a variety of advocacy, program and fundraising activities. There are over 3,000 paid members and a volunteer board of directors of 17 community members.

Business Model Statement

The organization has a vision for an environmentally sustainable world and pursues researched program solutions for different habitats including marine, artificial (built), and wilderness. Programs also address food, transportation and energy. The organization is supported by government, foundations, private donors and members.

Financial Practices

As reported in the year end audited financial statements for 2013 and the organization's annual report, the annual revenues were \$1,771,578 and the expenses were \$1,779,045 (deficit of

¹³ Projects that aim to change the behaviour of community towards an ecological issue i.e. recycling.

-\$7,467). Foundations and private sources of revenue represented 56% of revenues, government funding represented 28.6% of revenues with donations and recoveries rounding out the remaining revenues. Revenues assigned to projects represented \$1,318,338 overall in 2013 and \$1,404,097 in 2012. Revenues have grown significantly over the last seven years. Project centred revenue has increased by 59.7% from 2006 to 2013.

Project expenses represented the majority of expenses, matching revenues exactly in 2013 and 2012 once deferred project revenue and administrative fees were considered. Operational staff wages and salaries represented \$341,226 or 19.1%; however, when project wages and salaries are factored in, total compensation represented \$1,231,636 or 69.2% of \$1,779,045. Total operating expenses were equal to \$460,707 excluding project expenses (25.9% of total expenses). Operating expenses increased by 22.1% in 2013 from 2012 and included some wages, office expenses, professional fees, property financing and fundraising. Expenses have grown alongside revenues (a 46.2% increase from 2006 to 2013).

It is the practice of the organization, and a requirement in its bylaws, to hire an accounting firm to conduct an independent financial audit annually. Each year, the organization establishes an operating budget with projected revenues and expenses, which is approved by the board of directors. The organization employs a full time financial director.

The organization does not report any cash flow issues and has the ability to determine its operational risk on a per project basis. The organization has a small mortgage (\$51,923 in 2013), capital investments (\$132,346) and a reserve fund (\$61,525). Net assets for the organization have remained consistent for the last three years (\$895,940 in 2013).

Membership was a significant area of growth in 2013 (up 65.1% from \$95,880 to \$158,312). Other operational revenues (including administration fees leveraged from projects)

have remained flat. For projects, there have been some variations of significance. Energy funding appears to have peaked in 2009, where marine funding was at its highest in 2013. The year 2013 was one of the strongest years for project funding overall next to 2009 (a difference of only 1.2%). Expenses are carefully calibrated to expected revenues on a per project basis.

The organization has a basic expense control strategy connected to the funder relationship. The organization does not spend what it has not raised. Project accountability with respect to expense control rests with the staff, volunteers and the funder. The board does not have a role in managing or overseeing expenses related to project funding, but only operating expenses (25.8% of total expenses).

For cost cutting strategies, the organization looks to its outreach expenses, such as the production of its magazine. Also factored into discussions about expense management is the value of special events. The organization does not prefer events as a fundraising strategy because in its view, “they involve considerable effort and usually deliver lower returns on that investment of effort.”

Early in the organization’s history, the budgeting process was more challenging because the staff and volunteers were concerned with the prospect of reaching revenue targets. History has resolved these concerns to some extent. The focus of budgeting has now shifted to expense management within projects to ensure parity, proper cost recovery, and contingency strategies.

Fund Development

Volunteer leadership is very important within the organization. The organization relies on volunteer-led committees, which drive project initiatives in collaboration with staff. These initiatives are self-funded, so committees fundraise for their own individual project mandates and are fully accountable to said mandate. They fundraise not only for all project expenses, but required staff wages. This decentralized fundraising structure has fostered strong staff and

volunteer commitment because initiatives only get traction if there is enough volunteer and funding support. Staff only maintain their positions if the project achieves funding. All initiatives are explored from the ground-up (a grassroots approach).

The organization has a variety of income sources numbering in excess of 50. There are government sources, private and public foundations, national, provincial and regional grants and private donations.

There are three directors who share in the management responsibilities of the organization and they spend approximately 25 hours collectively per month on fundraising activity. The staff and volunteers spend in excess of 80 hours collectively per month on fundraising. The organization spent \$8,820 on special events and \$1,876 on membership development in 2013. This budget was down considerably from 2012 because of one less fundraising event (-48.0%: \$10,696 versus \$20,603). However, donations and memberships were up considerably in 2013 (\$57,231 in donations and \$158,312 in memberships, an increase of 49.7% overall) because membership canvassing migrated from a seasonal to year-round activity.

The organization uses a variety of outreach tools, including an annual report, a website, social media, special events, direct contact, traditional media and editorial, and an e-newsletter. The organization also publishes a magazine and spent \$12,204 on the production of the magazine in 2013 and \$19,407 in 2012. Communications expenses related to projects totaled \$93,532 in 2013.

The managing director feels that “environmental work is a relatively poorly funded sector.” The organization has an excellent profile and donor appeal; however, it can also be “hard to put a face to environmental work.” Due to the organization’s size, it is not too

negatively impacted by competition. The leadership feels that it has a good understanding of the market, active stakeholders and it has been able to “identify allies and patterns.”

The organization has automatic exclusions in terms of funders, which not only includes funders that might be in conflict with the mandate, but also like-minded funders that act in overlapping policy arenas. This policy is in place to protect the independence of the organization and eliminate any perceived or real bias.

It is the view of the leadership that funders in one or two areas are now focusing on big projects, with larger global impact. As a result, these funders are shifting their support to larger geographic areas outside of the organization’s scope.

The managing director feels that the organization must grow. Currently the organization struggles with the reality of its size and the need to chase several funding sources to support a single staff position. More funds would provide the organization with greater flexibility, greater security for staff, and better infrastructure. A future funding model would involve significant increases in membership, more foundations providing larger sums, and grassroots funding for generative work. The organization sees a continued role for government funding because “there is a strong connection to policy work and a good variety of projects that government is willing to fund.” Overall the organization would like to see “less [assembling] together of smaller funds and larger, more multi-year funding to be more efficient.”

Strategic Planning and Thinking

The organization completed a strategic plan for the period of 2012-2015, which set out strategic directions and priority actions in addition to consideration regarding the structures best equipped to reach stated goals. The process was fully participatory, and an invitation was given to all staff and volunteer teams to consider how best to contribute to priority actions. The format of the strategic plan uses a graphic facilitation model, which makes it readily accessible. The

organization does not have overall mission-related goals and targets, but rather strategic planning is about how best to improve on the work.

The organization sets detailed short term, fundraising goals, which include an annual fundraising schedule, with targets. Project area funding goals (i.e. marine, transportation, food action, etc.) are set by project staff and volunteers and not always tied to the fiscal year cycle. Project funding is projected annually for budgeting purposes through a process of staff consultation. Fundraising activity is reported using a strategy that outlines available resources, structures and approaches, engagement of membership, and specific kinds of giving, i.e. major gifts, events, monthly giving and planned giving. Goals are also informed by historic trends which are maintained in a readily accessible format.

The organization fosters a “shareholder mentality” with distributed leadership and reduced hierarchy. Project work is formally decided upon and driven by volunteer teams and coalitions. Project accountability is maintained at the project team level with the associated funder, not the board of directors. The leadership of the organization (board and staff) is focused on integration, facilitation and capacity building. The managing director characterizes the structure as “informed by and amplified by volunteers [which] results in lots of credibility.”

A downside to having a decentralized decision-making structure that manages projects through volunteers and coalitions is that the work can be siloed; however, the managing director feels that “it is a strength to allow approaches to be tailored to the needs of the work”. Conflicts that emerge are typically values-based, but usually reconciled with a return to the core purpose and strategic imperatives. The managing director qualifies that the people who are engaged in the mandate are typically individuals who “challenge the status quo.” This nature is an accepted

dynamic within the organization. When a project is of interest to the broader team, organizational engagement is intense and active.

There are three lead directors in the organization. The managing director addresses operational strategies, communications, human resources and the staff/board relationship. The policy director is responsible for aspects of external relations and advises staff on policy development. This director also supports and develops relationships with other non-profit organizations and stakeholders who may have a role in the mandate, including major donors. The financial director addresses all reporting and financial management responsibilities, including requirements of the board, funders and project teams. The operating budget is traditionally managed with board oversight, where the project funds have little to no board oversight and are directly accountable to the funder.

The leadership acknowledges that the organization feels “completely inadequate relative to the scope of the environmental crisis.” However, it also acknowledges that the organization and its approach have positioned the province as a leader.

There is lack of alignment between needs and funding available; in particular, the managing director cites specific concern for the lack of funds available to tackle issues such as “environmental racism” which refers to the practice of placing low income or minority communities in close proximity to hazardous areas or degrading environments. The managing director also cites limited resources to tackle new and emerging environmental issues such as “fracking,” which is the process of drilling and injecting fluids into the ground to fracture rock and release natural gas.

The managing director describes the organization as “strongly aligned and tenacious” when it comes to finding money to do the work it wants to do. Staff is described as “working on

the edges and hungry for more.” The organization is large enough to advocate and pull on existing organizational capacity until funding emerges.

Staff autonomy and the structure of “funding the work and the people” has its advantages and disadvantages. Advantages include a strongly motivated staff. Disadvantages include staff not usually having more than one year of guaranteed funding.

The organization draws tremendous strength from its volunteers. Volunteers are powerful stakeholders within the organization. This situation permits the leadership to focus on strategic activities.

Capacity to Innovate

Early funding was primarily government funding, but now the organization draws significant resources from private sources. The organization did explore entrepreneurial approaches but elected not to adopt them. The leadership views its membership model as a means to preserve the organization’s mandate. There are over 3,000 members who have invested in the organization and more than half of those represent monthly donor commitments.

In the 1980s, the environmental movement in the region developed significantly and divided the discourse into two camps: those that would have access and dialogue with government and those that would work on the fringe. This organization made the deliberate decision to keep a strong rapport with government stakeholders and to work with government to advance change.

Over the years, program priorities have evolved. For example, the organization moved out of waste management because government made the issue a priority by committing infrastructure and engaging a wider stakeholder group, including considerations of policy and community compliance. Shifts in programs are driven by the volunteers, membership and community activism. When programs have been initiated by the leadership or by a “top-down”

approach, there has been limited resulting traction. Ground fed research and grassroots interests have been the way that programs have been successful for the organization.

In the area of climate change, funders are drifting away from advocacy funding and instead are prioritizing big projects with clear outcomes. As a result, the organization has shifted its business case to one in which it represents its province as a model jurisdiction to circumvent political barriers and to compensate for the organization’s smaller size in relation to a national or global context.

It is the view of the organization that government funding is more rigid than funding from private sources, such as foundations; hence the migration to more private sector development. The organization also credits its success to its autonomy model, in which volunteers are well integrated and fundraising efforts are distributed.

Observations

SWOT

Strength	Weakness	Opportunity	Threat
Shared stakeholder mentality	Lack of board oversight on programs	Membership growth	Large funders migrating to global

Financial Practices: Financial practices are rigorous and the budget has significant detail and trend data by project. The organization engages funders directly to monitor accountability in addition to the board, which permits for direct oversight and deeper, more devoted partnerships with funders. This is a smart financial practice as well as an excellent stewardship strategy. An opportunity to add even more rigor to financial analysis would be to have the board not only engaged in oversight with respect to operating expenses, but program expenses as well, which would balance funder/organizational powers.

Fund Development: The organization has benefited greatly from its distributed fundraising model, which allows maximum effort to be associated with fund development and efficient use of program resources. Fundraising is clearly a focus for the entire organization. The organization has diverse income sources as well as reserve funds to draw from. Programs are only pursued when program funds have been established, which reduces risk. Membership is clearly an area of growth and potential.

Strategic Planning and Thinking: There has been considerable attention paid to strategic planning and thinking and there are several analytical tools employed for decision making. The organization has a distributed leadership model which incorporates three directors. This model is very dependent on a strong rapport that exists between directors and clear roles and responsibilities. Though it might not be a strategy that is transferrable to other organizations, it appears to address potential limits in competency that a single leader might present. It also maximizes leadership output, be it engagement internally on operations, or externally in community. The organization may benefit from setting mission related overall goals, in addition to goals that it sets to address improving the work of the organization. The two should not be mutually exclusive.

Capacity to Innovate: The organization has benefited tremendously from its strong membership, which serves not only as a vital financial resource, but also as a means to steer the organization's programming focus and efforts. A strong connection to community also aids the organization in its advocacy efforts. Members can help bolster profile and grassroots support for matters that need the attention of the organization's leadership or that of the broader community and government. Membership also becomes a form of interdisciplinary community collaboration.

Assessment

#1 Sound Financial Practices	0-3
Clear short and long term financial goals, which outline minimum income and costs required to deliver the stated mandate and mission	3
Clear and transparent financial reporting, which is robust and instructive and can be used strategically to aid in decisions	3
Funds are used efficiently and transparently, thus aiding in promoting organizational legitimacy	3
#2 Active Fund Development	
Fund development is an active priority for the organization supported by appropriate resources	3
There is a diverse range of income sources (specifically a minimum of 5 income sources representing at least 60% of earnings)	3
The organization has its own income generation mechanisms to produce unrestricted assets that can be used at the organization's discretion	3
#3 Strategic Planning and Thinking	
Sustainability is a deliberate and strategic approach by board and staff and mission attainment is considered alongside revenue assurance	3
The organization has strong, effective leadership and a proper, functioning governance model	3
There are well articulated strategic and operational plans with ongoing performance monitoring and analysis	3
#4 The Capacity to Innovate	
The organization has adopted entrepreneurial approaches, for-profit strategies and exhibits sector blurring or bending	0
There is evidence of interdisciplinary community collaboration to address limitations within services	2
The organization has effective knowledge management, exhibits systems thinking and can effectively utilize, collect and deploy social capital	3

Grading

- 0 – not applicable/not present/no organizational awareness or not a focus of the organization
- 1 – applicable/in development/insufficient or limited data to support or evaluate
- 2 – fair and reasonable or standard/some data to support or evaluate
- 3 – superior organizational awareness/excellent metrics/extensive results

Section 5: Discussion

All of the organizations that I investigated described internal conversations about growth to meet new demands for service. Leadership in each organization struggles with the risks of investing in more capacity. Concerns about such financial risks weigh heavily on organizations that rely on unpredictable or short term revenues, even if the investment might lead to a more stable or sustainable financial condition.

All organizations described a similar trend of having to do more with less. Organizations cited concerns with year-to-year funding and the obligation to take on the burden of unfunded costs for program administration or program development, which ultimately serves government, economic development or social policy. Many organizations felt that at best this limits their efficacy, and at worst, it may even remove their future participation.

Organizations also expressed the need to have more specialized staff, or professional development to increase organizational capacity, including the capacity to innovate. Wages and salaries are usually the largest expenses for non-profit organizations because of their link to programs and mission-critical activities. The organizations that I spoke with are all constantly reviewing ways to increase efficiency and effectiveness and adopt best practices, which speaks to their adaptive natures.

That there is a specific and significant difference non-profit and for-profit core values became plain to me as I talked with participant organizations. Leadership of a for-profit organization has greater flexibility than its non-profit counterparts because the former is not ethically bound to the responsibility of producing social value. For profit organizations are focused on profit and self-interest, while non-profit organizations are focused on public interest.

It also cannot be understated that non-profit leadership faces a complex operating environment. In addition to having to make tough decisions about resource allocation, programming limits, core spending and mandate deliverables, it is mission-critical for a non-profit leader to maintain compassion for the mission and the social value the organization has committed to producing. And because funding drives programming, it may not always be easy to reconcile program cuts, or resource limits, with the needs of the community; the community (a key funder) may withdraw support as a result of program decisions.

Non-profit organizations relying on government funding have also had to come to terms with the demand for funding outpacing available funds. General reliance on unpredictable, unstable revenue requires some unique leadership approaches, great sensitivity to the needs of the community that the organization serves, and aptitudes to overcome diverse challenges. Government downloading of social services onto community organizations is accelerating the dismantling of overall social welfare and non-profit organizations are either mandated or volunteer to fill in the gap. This tension should produce an opportunity for collaboration that enables the work of the sector and in some instances that tension does. But it is important to remember that government and non-profit organizations have different value systems. Government is a social-political environment that values individualism and competitiveness, where the non-profit organizations aim to promote values of collectivity, and the social writ large.

Given the range of stakeholders engaged in the advancement of an organization's mission (namely staff, volunteers, possibly unions, government, media, donors and members), leaders must be persuasive. Non-profit organizations rely so heavily on good will and mission values to generate support. As a result, I saw the importance for non-profit executive officers to delegate

their internal affairs so that external affairs can remain their primary focus. Leadership must remain strategically focused and engaged in the opportunities that will help the organization move forward, while relying on strong internal structures, including staff and volunteers to maintain quality performance.

Non-profit organizations must also be concerned with their advocacy goals. This means that members, volunteers and donors are also joined by special interest groups, media, citizens and government as part of the non-profit organization's funding and supportive environment. As a result, non-profit organizations have the potential for more strength and reach, but also a greater potential for vulnerability because leadership decisions and operations tend to be more scrutinized.

A balance of collaboration and competition among community organizations is commonplace in the non-profit sector, where organizations strive to meet not only their own mission goals, but also support those around them entrusted with similar important social mandates. The broader community development goal is something non-profit organizations all share. There are many examples of community collaboration; whether it is organizations working together with similar organizations to lobby for funding or policy reform, or linking with community partners and allies to raise the profile of the organization through established networks. Non-profit organizations see the value of both formal and informal community collaboration.

All organizations reported struggling with factors beyond their control that directly affects their financial condition. These barriers took the form of: obligations set out by the funder; challenging engagement dynamics with social and governmental systems that did not appreciate the non-profit organization's limitations; and/or increasing demands on service due to

increased clients/constituents or changes in their needs. These are issues that frustrate non-profit leaders daily.

Organizations spoke about the need to balance their values and vision with smart business cases that speak to larger community goals and translate their missions into ones that could be more easily linked to funder interests. Organizations weigh the pros and cons between taking a hard principled stand related to the ideals espoused by their mission, and generating broader appeal to their mandate for the sake of fund development. The organizations that I spoke with are clearly aware of the risks and benefits, and each decision is purposeful.

Age and size of organization appears to have no bearing on whether an organization will struggle with some internal volatility. Stable leadership is tied to the organization's ability to weather dynamic circumstances and respond to them in ways that increase the organization's functionality and performance. Organizations are constantly evolving and the leadership of non-profit organizations has to be nimble, responsive and forward-thinking.

Governance models explored were unique and varied. Whether drawing on principles of a corporate/for-profit or policy orientation, or participation, engagement and shared accountability, each organization has created a model that it feels best meets the needs of its organization and its respective mission. Models often evolve and change over time, either as the organization matures or as needs change. Non-profit organizations cite equally the success of policy governance along with models of distributed leadership and reduced hierarchy.

All organizations felt that they were not meeting the needs set out by their respective missions and mandates. Despite this reality, all organizations were positive about the work that they were accomplishing and optimistic about the future, which is likely a reflection of prevailing sentiment of the non-profit sector and the leadership within, whom I know to be

fiercely determined, committed, flexible, and alert to their environments and how to be successful within them. Though all struggle with how best to manage organizational risk, leadership is particularly creative and open to shifting business models to be more effective. Stakeholder buy in, time and resources were offered as the most common barriers to bolder innovation involving new services or forms of social enterprise.

Tremendous attention is paid to planning and thinking, both strategic and operational. All organizations have strong policies and mission statements, though strategic planning processes, operation plans and performance monitoring mechanisms did vary in depth and detail. Organizations must use these tools to link financial resources and programming with the needs of the community and chart compliance with the mission's principles. Each organization views the practice of strategic planning as one that needs to be repeated often in order to better understand the value it is providing to its constituents and in order to build a strong case for support to funders. The needs of communities change over time and robust planning is a process to identify how best to respond to identified changes in need.

Diversity in funding sources and more flexibility by funders was continuously mentioned by the organizations interviewed who envisioned what a more stable future model might look like. Too much reliance on single sources of revenues concerns non-profit leaders. Non-profit leaders consistently offered that a multi-faceted funding strategy, involving various donor programs, private sector development, earned income, and government funding was the key to financial sustainability and future success.

The larger issue that I see facing non-profit organizations who struggle with financial sustainability is achieving and maintaining organizational legitimacy. And though this was not the focus of this study, it should be noted that achieving financial sustainability is tied to

assurances of legitimacy that a non-profit organization demonstrates. Organizational legitimacy is accomplished by establishing, adopting and reporting on performance. Even though non-profit organizations focus on creating social value and not profit, a financially sustainable organization is focused both on mission attainment and revenue assurance.

Section 6: Conclusion

My investigation into five non-profit organizations revealed great support for what the literature purports. Successful non-profit organizations do require sound financial practices, active fund development, strategic planning and thinking and the capacity to innovate to be financially sustainable. But it is important to emphasize that non-profit organizations are very complex and operate in unique environments with unique pressures. Financial sustainability is also a long-term pursuit, requiring constant, strategic focus.

Achieving success is challenging without basic organizational capacity. Funders, especially government, need to understand that non-profit organizations are often over-extended and do not always have the broad capacity to assume the responsibilities for providing services today, while devoting resources to becoming more sustainability in the future. However, the value non-profit organizations provide is unquestionable. Funders need not only to develop a strong understanding of non-profit organizations but also to invest in their organizational capacity so that they can become stronger and more stable. Non-profit organizations are very innovative, but current operating conditions are also a barrier to bolder innovation and increased capacity to support the mission. Organizations cited limited resources, financial risk, managing diverse stakeholder interests and lack of expertise as the common barriers to innovation.

In communities across Canada, non-profit organizations represent a large workforce contributing much economic and social value and therefore are deserving of attention and investment. Many structurally imbedded relationships exist between non-profit organizations and government funders, and non-profit organizations and the private sector and they are tackling issues collectively. It simply makes good economic and political sense for government and the public sector to engage non-profit organizations as stewards of social programs. This support

should include both financial and human resources, as well as professional development and capacity building. Partnerships should not be burdensome to the non-profit, but rather have reasonable expectations that consider the differing value systems as well as operating limitations.

How does society better support this work? Non-profit organizations need to be enabled by government and the private sector. Non-profit organizations are effective at extending the value of every dollar raised, engaging a broad mix of stakeholders and engendering their support, and navigating an ever-changing environment. They expertly enlist the impassioned support of community volunteers who share in a vision of building strong, healthy communities. They find a balance between securing funding and not compromising mission-critical values and it is clear that it is both challenging and demanding! They will not compromise and just *chase the money*. Integrity is paramount.

If the five cases examined herein are any indication, many non-profit organizations are unable to work or plan in a long-term context. This problem creates organizational vulnerability, but it also creates vulnerability within the economy and it undermines the true potential of the sector's work. With long-term investments, and predictable funding mechanism, the sector would be able to build better momentum and improve efficacy. Government especially is in a position to assist with this. Currently many commitments are short term, but if accountability can be measured in an effective way, there is no reason for not installing longer commitments, especially social services embedded as vital community resources that should be stable and reliable. Government policy needs to reflect a strong commitment to facilitate the critical social programs non-profit organizations provide to community.

To support non-profit organizations, we must also develop and support community knowledge exchange, which is about growing and sharing knowledge. Community knowledge

exchange can leverage social capital so that it can be effectively shared and exploited to maximize the impact of the sector's work. Social capital is non-profit organizations most valuable asset, and non-profit organizations are well positioned to act as vessels and agents to discharge this wealth. This faculty requires collaboration both within the sector and beyond.

Non-profit organizations face many barriers. Despite the very real financial challenges, resource limitations, market competition, strategic design and compliance considerations, many non-profit organizations may be led by individuals with specific skills related to the organization's mission and therefore may be overly specialized. This study did not have the opportunity to measure if this is a true limitation. But what I did see was evidence that depending on the size of the organization, the organization may require the ED or CEO to wear many hats that would ideally call on a more diversified skill set than he or she may have. In a for-profit context, a leader is often supported by several specialized positions in the organization, but that is not usually so in non-profit organizations. Future research could investigate the broader application of for-profit strategies around organizational structures as a way to bolster non-profit capacity and outputs.

Possible research could also investigate the applications of planning instruments such as the balanced score card (BSC) and viable systems model (VSM) to determine their fit for the non-profit sector in measuring critical performance and the creation of social value. Additionally, the application of another for-profit strategy, such as total quality management or TQM might also yield some value, but there are many challenges to consider, such as high costs, evolving scope and lack of training or inadequate processes. To that end, government and big corporations have demonstrated that such tools help to stabilize conditions for growth and continuous

improvement. How could collaboration between sectors facilitate the non-profit sector's integration of these tools and to what benefit?

There are similarities and differences in for-profit and non-profit leaders. One consistency is that both must be effective in inspiring passion in others. Passion is manifested in leadership capacity as the ability to communicate a positive vision, inspiring core values, developing emotional intelligence, with an engaging and inclusive leadership style. Future research could consider this innate quality in both sectors and its link to financial sustainability or organizational effectiveness.

And though it was touched on here, there is much more to learn about the function of leadership in creating an effective operating culture and supporting its ongoing needs. Leaders need to help organizations through transition, be it adapting to the external environment or new internal processes, which is a key component linked to financial sustainability. Both of these are addressed through leadership activities which help to create a common language and conceptual categories for the operational environment and organizational culture.

There is no one blueprint for success, but much can be learned from each organization's distinct experience, and some transfer of strategy and approach is helpful. Future research is necessary to better explore the rich learning that non-profit organizations and their leadership can offer. Non-profit organizations do extraordinary work and employ a multitude of approaches to be successful. Unlike their corporate counterparts, non-profit organizations often take the hard road. They are required to be principled even if it costs them funding. And, they have multiple points of accountability. They are courageous and optimistic! They must harness the value and talents of volunteers and appease a myriad of stakeholders, some of whom are emotionally motivated.

More research may also help to refute what I see as a prevailing assumption (as promoted in much of the literature) that non-profit organizations are unsophisticated operations with the need to adopt more corporate sensibilities. Some for-profit strategies simply will not work in a non-profit context. It is my view that corporate or profit-centered organizations have much to learn from non-profit organizations which consistently demonstrate incredible resilience and determination, flexibility and creativity, and success against pressures that are vastly more complex than those facing their for-profit counterparts.

Section 7: Self Assessment Tool – Take the Test

SWOT

Strength	Weakness	Opportunity	Threat

Assessment

#1 Sound Financial Practices	0-3
Clear short and long term financial goals, which outline minimum income and costs required to deliver the stated mandate and mission	
Clear and transparent financial reporting, which is robust and instructive and can be used strategically to aid in decisions	
Funds are used efficiently and transparently, thus aiding in promoting organizational legitimacy	
#2 Active Fund Development	
Fund development is an active priority for the organization supported by appropriate resources	
There is a diverse range of income sources (specifically a minimum of 5 income sources representing at least 60% of earnings)	
The organization has its own income generation mechanisms to produce unrestricted assets that can be used at the organization’s discretion	
#3 Strategic Planning and Thinking	
Sustainability is a deliberate and strategic approach by board and staff and mission attainment is considered alongside revenue assurance	
The organization has strong, effective leadership and a proper, functioning governance model	
There are well articulated strategic and operational plans with ongoing performance monitoring and analysis	
#4 The Capacity to Innovate	
The organization has adopted entrepreneurial approaches, for-profit strategies and exhibits sector blurring or bending	
There is evidence of interdisciplinary community collaboration to address limitations within services	
The organization has effective knowledge management, exhibits systems thinking and can effectively utilize, collect and deploy social capital	

Grading

- 0 – not applicable/not present/no organizational awareness or not a focus of the organization
- 1 – applicable/in development/insufficient or limited data to support or evaluate
- 2 – fair and reasonable or standard/some data to support or evaluate
- 3 – superior organizational awareness/excellent metrics/extensive results

Section 8: Resources

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