

How Covid-19 could transform non-profit organisations

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1 Feb 2021

Covid-19 has been disruptive to non-profit organisations that are, in many cases, [already operating on a shoestring](#).



Image source: Gallo/Getty

Our research team has spoken with leaders from front-line non-profit organisations, and their funding partners — like public and private foundations — to better understand how the pandemic is affecting organisations across Canada.

Preliminary findings indicate that traditional funding practices have eroded the resiliency of charities and their ability to build sufficient capabilities that can be drawn upon during tough times.

But the pandemic has also emboldened funders and non-profits to rethink traditional models and implement changes that have enormous potential to strengthen the non-profit sector.

How non-profits operate

Operating on small budgets is standard for many front-line, non-profit organisations like food banks, youth support organisations and homeless outreach organisations. Doing more with less is a badge of honour.

We spoke to officials at one non-profit delivering youth programming who recounted how visitors to their organisation had been impressed with the leanness of the organisation. This “leanness” is baked into the non-profit DNA, reinforced by industry observers like [Charity Intelligence](#).

This leanness is shaped by policies and long-held [beliefs about how non-profits should conduct themselves](#). Traditional funding models allocate money to specific projects, like youth support programmes or senior engagement initiatives, constraining how funds are spent. In addition, this funding must often be renewed annually.

In principle, pushing funding directly to a non-profit’s constituents makes sense. But it leaves little money to build organisational capabilities. The razor-thin budgets diminish organisational flexibility, capacity and resilience.

Taken together, this makes planning for the future difficult at the best of times. But it makes preparing for crises like the Covid-19 pandemic nearly impossible.

This is problematic because non-profit organisations are vital resources for marginalised and under-served groups. In Canada, communities are struggling and the need for social services far outpaces the supply. This [social deficit](#) has been exacerbated by the global pandemic, increasing the prevalence of social problems and making the non-profit sector all that more critical.



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Non-profit responses

Despite the myriad challenges the Covid-19 pandemic has introduced, the non-profits we spoke with adopted creative and innovative approaches to executing their missions.

Make no mistake, the ability for non-profits to continue to serve their communities is a testament to their passion, with non-profit team members pouring their heart and soul into their organisations.

Mission, passion, will and determination have been integral to sustaining non-profits over this time. Across the organisations we spoke with, leaders described the personal sacrifices they and their teams had made. This included long hours, maintaining a flexible outlook and mental tenacity.

Employees of front-line organisations also faced personal risks due to daily interactions with clients and possible Covid-19 exposure. These realities have adversely impacted the mental health of employees in this sector.

Funding partners have responded in significant ways too. The funding organisations we talked to recognised the need to alter traditional funding procedures during the Covid-19 pandemic. Specifically, many funders immediately removed spending restrictions on existing grants.

As one funder stated:

“*You guys know your business better than we do. Use the money as you need it to help you with the adjustment.*”

The shift to unrestricted funds suggests heightened trust and a recognition that as funders, they did not know how the organisations they supported should best use the money.

This trust was monumental for many non-profit organisations. As one front-line non-profit leader stated:

“For the first time, all of a sudden, there's access to operations funding, which we never had before ... that's been absolutely fantastic, to suddenly have money just to pay people to do what they're doing.” ”

In some cases, the access to unrestricted funding that could be used for the organisation's highest priorities was the difference between continuing to meet the needs of the community and shutting the doors.

It's interesting that during a time of heightened stress and confusion, many funding partners looked within and found that they trusted the non-profits they were funding, transforming a traditionally paternalistic funding relationship.

What remains to be seen is whether these changes are temporary, or whether they open the door [for reimagining](#) funding relationships.



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New pathways forward

The Covid-19 pandemic has presented challenges but might also represent a critical inflection point for the non-profit sector. While we expect 2021 will [be a challenging](#) year for non-profits, the [sector's response](#) to date indicates two important and related ways the sector could [build back better](#).

First, the pandemic has spurred funders to reconsider their relationships with the non-profit organisations they fund. This may have long term implications for the sector. Many funding organisations are currently waiting for Covid-19 spread to slow, signalling that the time to build back is here.

As non-profits navigate through Covid-19, funding partners should seek a new balance. They can do this by releasing some control and shifting from short-term funding designated for specific projects to long-term unrestricted funding aimed at building non-profit capacity.

Second, the pandemic has highlighted the importance of capabilities and capacity — human resources, information technology and even extra staff and resources, all expenses that have traditionally been generally discouraged by funding organisations. Yet to build capacity for resilience, non-profits must be permitted and encouraged to build this capacity.

The Covid-19 pandemic has let the light in when it comes to how non-profit organisations operate and how they're funded. Whether it will be enough to help the non-profit sector address the growing social deficit remains to be seen.

Lynn Fergusson of Social Impact Advisors contributed to this article.

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