

Resiliency tactics during financial crisis: The nonprofit resiliency framework

Elizabeth A. M. Searing¹  | Kimberly K. Wiley² | Sarah L. Young³

¹School of Economic, Political, and Policy Sciences, University of Texas at Dallas, Richardson, Texas

²Department of Family, Youth, and Community Sciences, University of Florida, Gainesville, Florida

³School of Government and International Affairs, Kennesaw State University, Kennesaw, Georgia

Correspondence

Elizabeth A. M. Searing, 3.130 Green Hall, 800 West Campbell Road, Richardson, TX 77080, USA.
Email: elizabeth.searing@utdallas.edu

Abstract

The ability of nonprofits to weather hard times is a popular theme in the literature, yet most of the research is spent on predicting organizational closure. Unfortunately, this offers little guidance to nonprofits attempting to both survive and deliver services during crises. We use the lived experiences of 31 nonprofits—a mix of umbrella groups and direct human service providers—during the Illinois state budget impasse to understand nonprofit organization resilience in times of crisis. We establish the Nonprofit Resiliency Framework using qualitative analysis, mapping tactics in five areas: financial, human resources, outreach, program and services, and management and leadership. This study not only provides further empirical investigation of organizational resilience, but also useful advice for nonprofits on how to weather a complex financial crisis.

KEYWORDS

budget crisis, human services, nonprofit management, resiliency

1 | INTRODUCTION

The ability of nonprofits to weather hard times is a popular theme in the academic and practitioner literature; however, most of the research is spent on predicting whether these organizations close (Trussel, 2002; Trussel & Greenlee, 2004; Tuckman & Chang, 1991). This is an

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echo of the literature on commercial organizations where investors are motivated by the recovery of their investments (Li, 2012). In the nonprofit sector, however, the disposal of organizational assets is less important than concerns regarding continuing care for service recipients. So why are there so few studies of organizational resiliency in the academic nonprofit management literature?

First, the general availability of large-N accounting data means that the adoption of commercial tools used to predict organizational demise are more common. In reality, the tactics to continue programming are often more descriptive and contextually dependent, meaning that the accounting is only a piece of the puzzle. Therefore, qualitative research on resiliency tactics is needed, which may be significantly more effort intense and result in a smaller N. Second, the search for resiliency tactics is necessarily prescriptive, which is not always the orientation found in the nonprofit management literature.

This study provides insights into resiliency tactics used by publicly funded nonprofits during a revenue crisis. First, we captured the lived experiences of 31 nonprofits—a mix of umbrella associations, large direct service providers, and small direct service providers—to map the portfolio of managerial responses during a state budget crisis. Second, we employ qualitative analysis to establish the Nonprofit Resiliency Framework, mapping tactics in five areas: financial, human resources, outreach, program and services, and management and leadership.

The 2015–2017 Illinois Budget Impasse provided an excellent, if unfortunate example of resiliency demonstrated by resource-dependent nonprofits during a fiscal starvation of their organizations. This crisis occurred when the General Assembly of the state of Illinois in the United States failed to pass a budget for three consecutive Legislative Sessions (2015, 2016, and 2017). Like other federal systems of government around the world, states in the United States operate their own budgets with inflows and outflows involving the public and other levels of government. These processes differ between states. In Illinois, the long-established Democrat Speaker of the House and new Republican Governor could not agree on annual spending and appropriations, which meant that an official budget could not be passed. The impasse held up payments to nearly all entities dependent on state funding and created turmoil throughout the state. Nonprofit organizations with state contracts or other state funding found themselves not knowing if or when they would receive payments for the services they provided. The nonprofit organizations were contractually obligated to maintain services despite the lack of funding and were forced to develop tactics that would help them survive the impasse while still serving their mission.

This study strives to provide answers on how to survive a government revenue shock. Though provoking a clear financial crisis for many, the 3 years of the Illinois budget impasse also influenced other aspects of nonprofit operations from struggles to keep their communities engaged to feeling held hostage by the partisan political battles on the state level. An examination of the resilience of publicly funded nonprofit organizations in Illinois during the 3-year starvation is extremely important because an impasse is likely to recur; further, the challenges of surviving and continuing service delivery during extended revenue shocks can be a complex reality for all nonprofits, as seen in the recent COVID-19 crisis.

The remainder of the paper is organized as follows. The next two sections describe the influence of organizational resiliency and vulnerability literatures. Next, we describe the data and empirical approach used in the study. We then discuss the resiliency tactics discovered. Finally, we discuss the implications of our findings for both theory and practice, and then we draw conclusions.

2 | THE MANY FACES OF RESILIENCY

The concept of resiliency describes an entity's ability to survive change, and the formal study of the term stems back to the bioecological systems work of Holling (1973). Holling's original work focused on natural complex systems such as predator–prey interactions, but it posed initial theoretical conditions. First, there is a difference between stability (which is a rapid return to the initial equilibrium following a quick shock) and resiliency (which is the ability to persist through adapting to change while still maintaining relationships between key components.) Second, survival is a necessary but not sufficient condition for persistence, which also includes maintaining core processes and functionality. Finally, the study of resiliency requires a systemic approach that is often complex and qualitatively oriented (Holling, 1973).

In the 50 years since Holling's original work, the concept of resiliency has been applied to individuals (Kimhi & Eshel, 2009), organizations (Bowman, 2011; Kimberlin, Schwartz, & Austin, 2011), sectors (Salamon, 2015), and societies (Berke & Campanella, 2006; Gotham & Campanella, 2011). Authors pushed on original conceptualizations, such as advocating that a return to the status quo following a shock is evidence of resiliency rather than just stability (Wildavsky, 1988). Holling and colleagues refined the definition of resiliency to better fit socio-ecological systems in 2004: “the capacity of a system to absorb disturbance and reorganize while undergoing change so as to still retain essentially the same function, structure, identity, and feedbacks” (Walker, Holling, Carpenter, & Kinzig, 2004, p. 5). Recently, the scholarship on organizational resilience increased, with studies often focused on how a specific discipline or approach is the key (such as human resource management in Lengnick-Hall, Beck, and Lengnick-Hall (2011) or sustainable business practices in Ortiz-de-Mandojana and Bansal (2016)). We also expect there will be an explosion of the literature following the COVID-19 epidemic. However, certain key features of the original conceptualization remain: complexity, a catastrophic external shock, and both continued survival and functioning.

Following these initial studies, and aligned with existing resiliency theory, we define *resiliency* as the ability to withstand adverse conditions while still delivering services. Though we study both the tools of the individual organizations and the tools of organizational types, our study focuses on the organizational resiliency of nonprofit organizations in a specific resource niche: human services nonprofits in Illinois that rely heavily on government revenues.

3 | NONPROFIT RESILIENCY: MOVING BEYOND VULNERABILITY

The development of resiliency theory in the nonprofit literature was initially stymied by a thriving literature in the study of its inverse: financial vulnerability, which served as a proxy for organizational closure. Easy access to financial data encouraged the proliferation of studies using accounting ratio analysis to predict financial hardship (Greenlee & Trussel, 2000; Trussel, 2002; Trussel & Greenlee, 2004), with the addition of organizational characteristics such as size and age improving the models considerably (Hager, 2001; Trussel, 2002). Recently, much of the ratio literature focuses on the inappropriateness of the measures in certain situations, such as to sectors outside of the United States (Dayson, 2013; de Andrés-Alonso, Garcia-Rodriguez, & Romero-Merino, 2015) or to subsectors with unique financing or capital structures (Woronkovicz, 2016).

We contend that the usefulness of vulnerability studies is limited, however. First, more stakeholders are interested in nonprofit resilience than in closure. Though nonprofit organizational mortality interests managers, stakeholders such as service recipients would potentially be just as well off if the service was provided by a different organization. Second, survival analyses neglect whether and how service delivery continued. Third, though vulnerability studies offer insights on how to become financially vulnerable, they normally do not have insights on the practical question on how to recover (Searing, 2018). Finally, analysis based solely on administrative data suffers from an inability to capture the real-world randomness and complexity that is best captured through qualitative means, as Holling (1973) warned us.

Resiliency is a more appropriate concept than either vulnerability or survival to study nonprofit operations during periods of crisis or change. Survival simply measures the persistence of the legal organization. Though important, this singular view toward survival is too simple; if a nonprofit was only interested in organizational persistence, then they could cease delivering services and sell popcorn. But nonprofits are caught between decisions that might optimize the chances of organizational persistence (such as stockpiling assets) versus those that allow continued delivery of human services. The need for nonprofit managers to balance these goals even (and perhaps especially) during times of crisis means that we need a theoretical framework for resiliency that is likely as complex as the managerial decisions that they face.

There has been some progress toward understanding resiliency in the nonprofit sector. Lune (2002) explored how community organizations persisted in the face of severe political hostility. Besel (2001) explored how nonprofits that are dependent on local government can adopt tactics designed to weather resource dependency issues. Mosley, Maronick, and Katz (2012) surveyed nonprofits in Los Angeles to verify and explore the determinants of their responses to an economic downturn. Soh, Searing, and Young (2016) used four traits of resiliency in systems to explain the strategic behavior of housing nonprofits in Atlanta, Georgia. Searing (2020) used comparative case studies to unpack reasons why some mental health nonprofits closed while others thrived. This study provides a unique window into how persistence may be a more useful construct than organizational closure based on administrative data, since some of the organizational closures resurrected with the same or different missions.

In a study with a similar theme to this one, Mosley et al. (2012) used logistic regression to test five tactics used by human service nonprofits in response to the economic downturn that began in 2007. However, their study had two important limitations. First, the researchers provided the nonprofits with a defined set of tactics to choose from in the survey. Nonprofits indicated whether any of the prescribed tactics were used. In comparison, the current study allowed the tactics to emerge from rich interview narratives that occurred directly following the crises. Our approach allowed for a more nuanced and realistic picture of nonprofit resiliency tactics. Second, the Mosley et al. (2012) study gauged response to a widespread and anticipated financial downturn, while the Illinois impasse currently under study was geographically limited, politically charged, and unexpected.

4 | RESEARCH DESIGN AND METHODS

We captured the lived experiences of nonprofit leaders immediately following the Illinois budget impasse. Our sample was limited to 501(c)3 nonprofit organizations dependent upon government funding because we expected that these organizations would feel the swiftest and largest impact from the withholding of government dollars. We interviewed leaders in the

organization over the 4 months following the final resolution of the impasse in July 2017 and then conducted qualitative content analysis on the interview data. The three authors manually coded the data in qualitative analysis software. We were able to include more organizations in the study because of this multiple coder approach. The sample size ($N = 31$) is fairly sizeable and consistent with large qualitative studies (M. Mason, 2010). The larger sample size deepened our understanding of the experience for each and helped contextualize the experience to the greater Illinois nonprofit sector.

4.1 | Data collection

A purposeful sampling technique was applied to build a dataset of 31 nonprofit organizations (Suri, 2011). Three criteria were used as guideposts to identify those nonprofits that would be at high financial risk while also in high demand for service during the impasse:

- 501(c)3 nonprofit organization providing direct human services
- 50% or more of revenue sourced from state or federal dollars
- At least 10 years old in 2017

First, the authors identified membership associations with member organizations that would likely fit the three criteria were invited to participate in the study. The membership associations played a variety of roles for their members, such as professional development, administrative oversight, and serving as funding pass-through entities. The membership associations also served as the mouthpiece for their members' legislative advocacy and public relations functions (Wiley, Searing, & Young, 2020). Their inclusion in the study represented a wider breadth of 1,100 501(c)3 organizations operating in Illinois. In the interviews, they were asked to specifically focus on the tactics of their members.

These first nine membership association interviewees served as gatekeepers (Andoh-Arthur, 2019) between the authors and their members, which were community-based nonprofit organizations. Each association's interviewee emailed our interview solicitation to their membership. All respondents who fulfilled the criterion of the study were invited to participate. Each direct service organization was connected to at least one of the membership organizations in the study. Though we began with criterion sampling, we captured a stratified purposeful sample (Suri, 2011) of statewide membership associations (or "umbrella" organizations) and direct service nonprofits. After the sample was assembled, two natural clusters of large and small direct service nonprofits emerged from the data as we mapped their revenue, employee, and volunteer sizes. Table 1 presents quantitative descriptive statistics of the organizations. The final sample was sorted into five subsectors based on organizational mission: child welfare, vulnerable adults, victim advocacy, poverty alleviation, and capacity building. This iterative approach to sample design distilled clusters of comparable organizations under similar pressures from the financial crisis. The variation in the sample size for each cluster is explained by the achievement of storyline saturation within the clusters and across the sample. When new codes stopped emerging while coding data within each cluster, the investigators ceased interviews for that cluster and built out the remaining clusters with additional interviews. This process brought the total sample to 8 umbrella, 12 small, and 10 large organizations (M. Mason, 2010).¹

The investigators conducted long-form interviews (Spradley, 1979) via video chat or in person with at least one member of the senior leadership team for the participating organizations; most

TABLE 1 Sample characteristics in 2014 (pre-budget impasse)

| Organization type (n) | | Age in years | Annual total revenue | Number of employees | Number of volunteers |
|-----------------------|--------|--------------|--------------------------|---------------------|----------------------|
| Statewide | Range | 5–47 | \$140,328–\$15,013,890 | 0–25 | 0–61 |
| Associations (8) | Median | 38 | \$3,860,621 | 11 | 14 |
| Large direct | Range | 35–86 | \$2,839,410–\$66,817,200 | 126–1,354 | 0–481 |
| Service (10) | Median | 54 | \$11,771,059 | 486 | 226 |
| Small direct | Range | 29–48 | \$502,943–\$3,550,481 | 15–200 | 0–500 |
| Service (13) | Median | 38 | \$2,109,850 | 64 | 163 |

often this was the executive director, but a former executive director and a chief operating officer were also included. The executive director serves as a liaison between the board of directors and the staff and deals with day-to-day crisis management. It is the executive director who makes the human resource and line-item budget decisions. In two cases, the executive director was brand new and was not involved in decision-making during the crisis. In those cases, we chose to interview another member of the executive leadership team who was engaged in decision-making during the crisis.

The interviews lasted 50–70 min, were recorded, and transcribed. Interviews began with a grand tour question (Spradley, 1979) about the nonprofit leader's initial emotional reactions and organizational responses to each of the three General Assembly sessions ending in a budget impasse, 2015, 2016, and 2017. The questioning progressed to explore the nonprofit's survival tactics, advocacy efforts, and impacts on their organizations. The semi-structured interviews followed the line of questioning in the instrument provided in the Appendix. Probing questions were used to tease out more detailed responses about their reactions and tactics for resilience. For example, if the interviewee answered the question, "What has been the largest impact of this fiscal crisis on your position within this organization?" with human resource concerns, we would follow up with a probing question such as "How are you coping with fewer staff members? What tools for resiliency are at your disposal? What have these coping tools accomplished in terms of financial survival or mission fulfillment? How effective have they been?"

To triangulate evidence identified in the interview data, the investigators examined newspaper articles on the budget impasse, the nonprofits' annual reports, and the IRS Form 990s. The news articles clarified and confirmed timelines and tactics pursued by participants, particularly legal and outreach tactics. Annual reports confirmed messaging tactics from the organization to their communities, public funders, and the Illinois General Assembly. The IRS Form 990 data were interpreted to make sense of revenue stability, cash flow shifts, and employee expenses during and immediately prior to the budget impasse.² Though there are widespread concerns about the accuracy of Form 990 data, we do not rely on the more problematic elements, such as functional expense reporting or managerial compensation (Thornton & Belski, 2010). If other evidence seemingly contradicted the interviewee, the authors revisited the interview data or discussed the differences in perceptions of budget crisis. Contradictions were resolved through research team consensus.

5 | METHODS

The authors interpreted the interview data by applying qualitative conventional content analysis (Hsieh & Shannon, 2005). Coding occurred in three stages. First, in open coding, interview

utterances were coded inductively as actions, conditions, or consequences (Brower & Jeong, 2008). As patterns emerged (or in axial coding), code names were created thematically. Iterative coding occurred throughout each stage as authors added new codes and revisited earlier coding schema and interview data. Finally, in the third round of coding (or selective coding), categories of survival tactics emerged.

We provide an example of our coding approach. For example, interviewees discussed different options they employed when their cash reserves dwindled. Those utterances were coded to actions as “survival tactics” during the open coding process. As the interviews progressed and interviewees referenced similar survival tactics, such as selling real estate, those survival patterns were captured with thematic code names like “sell assets” during the axial stage. Finally, we captured contextualized nuances during the selective level coding and grouped subcategories into themes, such as financial tactics. Three examples of our interview utterance coding approach are presented in Table 2.

In addition to the interviews, several different information sources were added to complete the organizational picture and answer the second research question. We analyzed websites and promotional materials, and the Forms 990 collected for years 2013 through 2016 (the most recent available at the time of the interviews and coding). The research team collected information from the Form 990 in Excel files, allowing for comparison across organizations and time using numerical and graphical tools. Only one nonprofit used the Form 990 EZ, which limited the amount of information compared to the others; however, the impact on the analysis was not material. Because of the additional data, the authors were able to run matrix queries in the qualitative analysis software. This captured interactions between the resiliency tactic choices (codes) and structural characteristics (organizational attributes) such as age, size, subsector, and location. The authors used the matrix query results to aid in sorting and interpreting interview utterances by organizational attributes.

The research team conducted coding comparisons at regular intervals within the qualitative analysis software to calibrate coding and expand the codebook. The authors reviewed and discussed coding disagreements when agreement scores were below 90% in order to ensure strong agreement (Fleiss & Cohen, 1973) or revisit code names and definitions. During analysis, cross tabular coding queries and word frequency queries were conducted within the qualitative analysis software to support “theory-checking” (Onwuegbuzie & Leech, 2007). Through repetitive comparison between themes and the original data, theory-checking reduces confirmation bias and illusory correlation (when one impactful story clouds true thematic evidence) (Onwuegbuzie & Leech, 2007). Finally, the news reports,

TABLE 2 Example of coding strategy

| Interview utterance | 1. Open code | 2. Axial code | 3. Selective code |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------|----------------------|
| “We have an apartment building that we’re looking to sell.....and we’re going to sell it to help our cash position to continue to secure the financial security.” | Action | Sell assets | Financial tactic |
| “[M]y mission is not to serve the state of Illinois. My mission is to serve struggling kids and families.” | Condition | Mission-driven | Mission as motivator |
| “We’re losing people who know how to do the jobs, who normally rise up to supervisory positions.” | Consequence | Loss of capacity | Strategic concern |

annual reports, and Form 990s supported corroboration of information provided by the interviewees.

6 | THE NONPROFIT RESILIENCY FRAMEWORK

The budget impasse had a significant impact on different parts of the social service delivery ecosystem in the state of Illinois. Since many organizations needed to continue providing services in the absence of government funding, traditional management techniques were adapted, reinvented, or abandoned. To answer our first research question on what tactics were used, we utilized the three coding phases described in the Methods section. The resulting framework of resiliency tactics employed by the nonprofits is provided in Table 3. The tactics were grouped

TABLE 3 Nonprofit resiliency framework: Themes and tactics

| Tactical themes | Resiliency tactics |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial | Cashflow monitor Line of credit or reserves New funding sources Reduce ancillary cost Revenue portfolio diversification Sell assets |
| Human resources | Addressing burnout Didn't pay staff Maintaining capacity Nonmoney staff reward Reduce staff |
| Outreach | Advocating Altering messaging Improving relations w external stakeholders Increase fundraising Reliance on parent NP |
| Programs and services | Increased wait-list Mergers (picking up programs) Protect core services Reduced service quantity or quality |
| Management and leadership | Leader as example Personal debt Planning Relationship with the board Strategic action w partners |

into five functional categories based on the resources utilized: financial; human resource; outreach; programs and services; and management and leadership. Four to six resiliency tactics emerged in each category.

6.1 | Financial

Nonprofit managers employed six distinct tactics when responding to the Illinois budget crisis. Some were treated as emergency measures (such as asset sales), while others were often used as a means of ensuring a better future (such as revenue diversification). Due to these different needs, most organizations employed at least half of the financial tactics in their responses.

Cashflow monitoring was an intensification of a practice that many nonprofits were doing anyway, but now became critical component for the organizations' response frameworks. Many nonprofits need to watch cash flow, especially since government funding (even in ideal times) may come long after service delivery in the form of reimbursements. However, monitoring systems increased since there was now a much weaker inflow of cash (even though revenue was still being counted according to accrual accounting guidelines). Nonprofits also tapped into their *lines of credit and reserves* in order to have the cash necessary to continue programming. They also developed *new funding sources*, though this was not necessarily tied to new programming initiatives (unlike the Mosley et al. (2012) study).

As a step beyond cashflow monitoring, many nonprofits also *reduce ancillary costs* such as employee travel and professional development. They also sought to *diversify their revenue portfolios*, which is standard advice for government-dependent nonprofits (though many of those studies envisioned a gradual reduction in spending and not a sudden cessation). Organizations that specifically sought to diversify revenue streams often did so as a way to ensure service provision in the long term; we treat it as separate from the tactic of developing a new revenue source because the phrase is industry jargon, was not tied to a specific revenue type, and used defensively. Finally, a few nonprofits had to resort to the *liquidation of assets* in order to provide cash.

I feel like we are in such a hole right now that we continue to plan some further action that we haven't taken yet, but we have an apartment building that we're looking to sell. It's occupied by people that we're going to have to find alternatives for, but there's some interest in the property and we're going to sell it to help our cash position. (~L8)

This crisis of cashflow brings into focus some of the tension between the survival and service continuation pieces of the resiliency concept. The financial tactics brought into focus the tension between survival and service continuation for nonprofit organizations. In the example presented above, the nonprofit weighed their need for the cash gained from liquidating the asset versus the benefit the asset provides in delivering services to meet their mission. If they sell the building, they could use the cash to help stay afloat longer; however, this could complicate or possibly eliminate critical services. If they keep the building, the organization may not be able to survive as long as it could have otherwise. Financial stewardship and sustainability were expressed as complex, intertwined priorities during the crises.

6.2 | Human resources

There were more mentions of human resource tactics than any other type, as such a full exploration of the nuance will be the subject of a separate research study. However, we distilled the responses into five main tactics. Three of the tactics addressed the problem of monetarily compensating staff, while the remaining two were more proactive in describing ways to appreciate the staff which remained.

Above all, most nonprofits tried to avoid *reducing staff*. There were several strong patterns that motivated this approach: a close-knit team, decreased capacity, and fierce competition for workers. However, few nonprofits were at a comfortable level of staffing even before the impasse began.

There isn't fat to cut or slack. So, what you're talking about is cutting jobs is saying like we're not going to have a case manager. So we're going to have one last case manager in this program. And people are going to have higher caseloads and that means people aren't going to get what they need as well and this is the impact there have been. (~S5)

Since letting staff go was considered the final option, there were some creative ways to handle the pecuniary issue. Some simply *did not pay staff* or had staff working extra hours as unpaid volunteers. Others *rewarded staff in nonmonetary ways* such as flexible working hours and sharing the personal stories of staff to build camaraderie. The organization's ability to maintain capacity in delivering their services was key, which included taking interns and learning the jobs of others so that gaps could be filled.

For many nonprofit workers, these tactics created large amounts of stress and, eventually, disenchantment with being a service provider. Not only did the nonprofits need to fight to keep their employees at their organization, they also had to fight the battle to keep them in the sector. Years of stagnant wages in the social services meant that nonprofits also had to *address burnout* since, in many ways, this was a crisis in a long line of hardships for nonprofit employees in Illinois. This was particularly difficult since there had not been money for this during the pre-impasse years. Now, organizations needed to counter not only the immediate shock of the impasse, but also pent-up frustrations from over a decade of difficult working conditions. And this is in a state where the minimum wage had continued to increase, but the compensation rates for direct care services providers in government contracts had not. As one of the interviewees remarked, "You can make as much working for Target as you can for us. And you don't have that concern about losing your job because government is not going to pay you where would you rather work?" The fear that workers would leave not only the nonprofit but the sector as a whole was repeated throughout the data.

6.3 | Outreach

Several tactics involved the cultivation of relationships. These approaches had more in common with each other than with the target of the effort; thus, outreach was a suitable category. However, the exact purpose and target of each of the five different outreach tactics varied.

Some tactics, like *advocating* and *altering messaging*, applied to many possible recipient audiences. Advocating appeared in two main guises: activism about the nonprofit's importance and

education regarding the state budgeting process. Both types of advocacy involved members of the public and the legislators directly responsible for the budget impasse. In terms of communicating the nonprofit's importance, these tactics often involved mobilizing members of the community that had been occasionally engaged and then using them to reach out to other members of the public and legislators. Education regarding the state budgeting process was a bit more complex, both in terms of the subject matter and the approach since the first step was legislators admitting that there was a lack of understanding, before that lack could be remedied.

[W]e really have a hard time helping the individual legislatures understand the complexities of that budgeting and what happens once it gets out of their hands. So once the legislature passes a budget they don't have a clue what happens over in the individual departments. (~C5)

Both types of outreach often entailed *altering messaging*, especially as the impasse wore on. Advocates and potential advocates became victims of what resembled "compassion fatigue," where the endless stories of hardship faced by nonprofit service recipients started to cause a numbness and avoidance in the message recipients (Adams, Boscarino, & Figley, 2006). Faced with an increasingly dire situation and an increasingly numb populace, several nonprofits switched tactics. Some changed the framing from the individual hardship narrative over to making a case for how much the impasse was hurting the business community. Other nonprofits abandoned the hardship narrative altogether and began talking about the nonprofit sector's resilience. The key was changing the messaging so that the deviation from the norm would, itself, attract the attention of a weary populace.

For the remaining three tactics, each had a unique modality and target audience. For *improving relations with external stakeholders*, this meant reaching out to community members who may have been aware of the nonprofit previously, but not involved in advocacy on their behalf. For example, nonprofits got to know their local bankers very well when they increased their communication about delayed income and accessing assets.

Increasing fundraising is part outreach and part finance; however, since the money often followed a personal connection and appeal, we classified this as an outreach tactic rather than a financial one.

[W]e did a fundraiser ... and it was picked up by the news and then it was picked up by [elected official's] office who used it. And then [another elected official]'s office picked it up and used it on their website. And then ... someone from Chicago drove out on the day of our garage sale and offered to help us in a lot of different ways with marketing and things like that. So those were really nice opportunities. (~S7)

This is not to say that fundraising did not come with internal changes. Several organizations did not have an existing development team and had to develop one, ad hoc. Others had boards, which recognized that fundraising was essential; some had the resources or experience to step in as fundraisers, but many nonprofits did not. A few nonprofits had a "parent" nonprofit or institutional arrangement where they could rely on a much larger institution for support. This could be a much larger nonprofit that could provide resources, or a state agency that provided reduced rent. In all of these instances, *reliance on a parent nonprofit* or benefactor agency provided a necessary lifeline.

This re-energizing of existing relationships also applied to media, legislators, community members, and previous service recipients. The latter were especially important because they were often more comfortable in advocating on behalf of the nonprofit compared to the nonprofit itself. Overall, continuity of services was the priority in outreach to each stakeholder group.

6.4 | Program and services

Unfortunately, reduced funding often had direct negative impacts on the programs and services offered by human services nonprofits to the citizens of Illinois. Several agencies reported an *increase in wait-lists* for services. This was especially problematic for those agencies that provided crisis services. Many of these organizations' service recipients included potential victims of violence who were often unable to find timely relief during their crisis.

The shortage of services was compounded through the many *mergers and picking up of programs* that nonprofits engaged in when a neighboring nonprofit closed its programs. Here, we saw evidence of two different narratives. The first was that mergers were occurring because smaller nonprofits lacked the capacity for infrastructure and economies of scale; therefore, "fragmentation" was bad, and consolidation was a good thing. However, there was also a counter-narrative that consolidated markets meant that there was less choice and fewer services overall, even if some of them were being saved. The difference in narrative often depended on the size of the nonprofit, with the larger nonprofits viewing consolidations as a positive impact of the impasse.

Most nonprofits attempted to *protect core services*, which meant that some services that the organization did not view as core to their central mission were closed to provide a longer projected survival time to those with a higher priority. There were also changes to help sustain the programs, such as shifting from individual counseling to group counseling. Other times, staff heroics were responsible, such as the decision of one individual to live at the nonprofit's shelter in order to make sure it was staffed and able to remain open.

There were many situations, however, where service quality or quantity were reduced. Sometimes this was because staff had to be re-purposed, or local staff had dwindled to the point that the program was no longer viable. Programs had to reduce hours or close satellite offices, which hit rural areas particularly hard. It also meant that resources were diverted away from preventative programs and toward crisis intervention—not because the latter was core, but because the situation was potentially lethal. Though this triage makes sense in the short run, fears exist that such decisions may lead to more interventions in the long run, especially since the education and preventative services were cut the most. Program reductions also meant that some service recipients were simply turned away. For instance, one criminal justice diversion program for youth served as the child's final intervention before entering the prison system.

Well, I think the most difficult part was when I had to tell [my clients] that we were ending the programs. And some of them, I mean we're talking kids that had stolen cars, have guns, the whole thing, and had them put their heads down and some of the boys said, "You were our last chance". (~S6)

This interviewee expressed their deep reluctance and regret in turning children away from a program that would impact the trajectory of their lives.

6.5 | Management and leadership

Our final group of tactics involve the roles and actions taken by the leadership team of the non-profit. For example, many leaders spoke about their responsibility to model the type of self-sacrificing behavior they expected from their staff. This potentially involved salary reduction, furloughs, additional unpaid time, or a return to direct service delivery for those in administrative roles. D. E. Mason (1996) considered the duty of building commitment to the nonprofit to be the responsibility of nonprofit managers, who have the ability to control the informal or “expressive dimension” of working at a nonprofit. Our study provides empirical evidence of this, with several leaders speaking of their most important role being a cheerleader or morale-provider for their staff.

I think it's trying to believe and keep sharing that belief with your staff that things are going to be okay. That, hang in there, keep going. Keep doing your job. Don't worry about it. I got it. You're going to get your paycheck. Please don't leave...I think, it's that constant pressure in trying to keep being a cheerleader. Knowing that you have no idea when the wheels are going to come off. (~S13)

Nonprofit leaders also took on roles that only they would be able to provide. An example of this is *personal debt*: at least one nonprofit had leadership take out mortgages on their homes to make payroll.

Beyond these levels of personal sacrifice, however, there were many things that the leadership team could do in order to facilitate the resiliency of the organization. *Strategic planning* became very important, even beyond the increased tracking of financial resources.

[T]he first thing that I had us go through in that strategic planning process was identifying what our core services were... if the agency went away, what would be the biggest holes in the community[?] [T]hankfully, by doing that when we did, [when] we had to look at cuts and becoming smaller we knew we [could] preserve the core services. (~S3)

Planning also helped increase stakeholder buy-in to the management responses. This was particularly true when leadership made concerted efforts to improve the *relationship with the board*, whether this was for fundraising, governance, or advocacy reasons. Even beyond access to board resources, several leaders remarked that just having the support of their boards made their lives much easier because they felt less alone in the struggle.

If boards provided the leadership team with an internal source of support, then taking *strategic action with partners* provided an external source of support. This is especially the case if the agency opted to join one of the legal actions against the State, which was perceived by many to be a risky venture. Despite its extreme nature, the plaintiffs felt that the lawsuit was the only option.

[We] joined the lawsuit from the beginning because we felt like we need to, at that point it just felt so, a lawsuit I think sounded a little extreme because I think people are really concerned about the potential backlash that would happen from the state around that. (~S5)

The shifting of policy-making venues from the legislative to the judicial branch in pursuit of funds was a strategic action that different agencies took based on previous court opinion and the actions of their peers. Without the support of peer agencies, it is unlikely that any of these advocacy venue shifts would have moved forward (see Wiley et al., 2020 for more details).

7 | CONCLUSION AND RECOMMENDATIONS

Nonprofits are complex organizations, and their strategic responses to periods of financial stress are likewise complex. Unlike previous literature that tested limited options for managers, our study allowed resiliency tactics used by Illinois nonprofits during the state budget impasse to emerge from their own thick narratives.

Further, this nuance allows us to provide several practical takeaways. First, the underlying issues of the crisis were not addressed when the impasse was resolved. The fiscal issues of the state remain, the process that allowed for the impasse was not altered, and human services delivery remains heavily dependent on state funding. Therefore, this may not be an isolated budgetary incident and we may see other crises impact human service delivery in similar ways (Young, Wiley, & Searing, 2020). Like individual giving, public funding has become a volatile source of income. Nonprofits need to prepare for another possible impasse (Young, Wiley, & Searing, 2019).

Second, the significance of the human resource tactics may be indicative of underlying issues in the nonprofit labor market. As seen in the COVID-19 Pandemic, a person's physical work location is much more fluid than ever previously thought. It is easier than ever before for workers to move between states; nonprofit wages are not where they should be to attract and keep workers in the state of even in the sector. The fact that direct care providers were already underpaid (especially given increases in the cost of living) will likely get lost in the impasse recovery efforts. At all times, nonprofits should be mindful of hidden costs such as increased burnout and re-training. Often, government contracts do not cover the full cost even under normal budgetary conditions. This shortfall includes not only administrative costs for the organization such as fundraising, but also hidden costs such as emotional labor and capacity development.

Finally, this study amplifies the call for qualitative or mixed method research into phenomena traditionally considered the domain of quantitative analysis. Though useful, accounting ratios are blunt instruments for describing a complex process such as organizational closure or resiliency. Balance should be sought between statistical power and prescriptive benefit when conducting nonprofit management research, particularly in financial management.

This study does have limitations. First, while the study included 31 interviews and achieved storyline saturation, and despite the efforts of the research team to provide triangulation, there still may be challenges in generalizing to the Illinois nonprofit sector more broadly. Our insights should be most applicable to organizations in our focus area: publicly funded human service organizations that have a large portion of their income from government sources. Further, there may be elements in the Illinois context, which are not generalizable outside of the state. Illinois is unique in its large local government sector (1,299 municipalities) and progressive leanings at the state level. Second, only nonprofit organizations that were still operating were interviewed because of the availability to contact them. Since we did not interview any nonprofits that had closed directly (though we did hear tales indirectly), this study does not include their lived experience. Finally, the fact that the impasse has only recently ended means

that the study is timely, but it also means that we are limited to analyzing short-term responses rather than long-term reactions and impacts. We hope to explore these more fully in future study.

Helping nonprofits survive a financial shock should warrant as much academic attention as predicting whether they close. We distill the experiences of Illinois nonprofits delivering human services during the Illinois budget impasse into the Nonprofit Resiliency Framework, which identifies trends in five tactical areas: financial, human resources, outreach, program and services, and management and leadership. The trends detailed provide a tried-and-true approach for other practitioners interested in keeping their nonprofits alive and delivering services through hard times. Perhaps more importantly, they also provide a needed optimistic element to the vulnerability literature by focusing on resiliency and recovery instead of predicting demise. An executive director of a large publicly funded nonprofit best articulates the path forward:

And I hope this is a wake-up call to organizations to – to ask the hard questions of ourselves and what are we doing differently, what are we going to do differently because quite frankly my confidence that the state is going to change is pretty slim. And so if we want a different outcome, we teach our kids you can't control what someone else is going to do, you can only control what you do. So how are we as a sector going to take control to make sure that if this happens again there's a different outcome. And I'm not saying don't do business with the state. I'm saying if you're only doing business with the state. I'm not sure how you expect there to be a different outcome. (~L10)

The COVID-19 Pandemic has caused us to focus on the detrimental impact of crises on nonprofits and the broader economy. Yet, like the Illinois Budget Impasse, the Pandemic will likely not be the last extended crisis nonprofits face. Nonprofits need to dedicate resources to resiliency now. This includes mapping out their own organizational strengths and weaknesses, with special attention to the perceptions and insights of stakeholders outside of the management team. Though the impasse may have initially seemed like a financial crisis, the tactics to address the situation came from a variety of sources; knowing what the staff, service recipients, and members of the community think are important if you expect to rely on them for crisis response or continuation of service. Unlike studies of organizational survival, resiliency involves both continued existence and continued progress toward mission. Hopefully, one of the silver linings of recent crises will be a shift in this research paradigm.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

ORCID

Elizabeth A. M. Searing  <https://orcid.org/0000-0003-2489-0469>

ENDNOTES

- ¹ The sample originally contained 32 organizations. However, the only interview designed to represent two organizations did not achieve enough distinction between the organizations (same subsector, staff, mission, etc.) Therefore, these two umbrellas were combined for the sake of analysis. We also conducted an interview of a small direct service organization whose audio was lost due to technological issues. Therefore, though there were 31 interviews, the final sample contained 30 organizations.
- ² Though ideally financial information for the entire budget impasse would be available, only 2013 through 2016 had complete records at the time of the study. Research involving the full financial trajectory and impact of the budget impasse will be a noteworthy future study.

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AUTHOR BIOGRAPHIES

Elizabeth A.M. Searing is an Assistant Professor of Public and Nonprofit Management at the University of Texas at Dallas. Dr. Searing's primary research focus is the financial management of nonprofit and social enterprise organizations, but she also conducts work on comparative social economy and applied ethics for the social sciences.

Kimberly K. Wiley is an Assistant Professor of Nonprofit Leadership and Community Development in the Department of Family, Youth, and Community Sciences at the University of Florida. She is a public policy, nonprofit management, and qualitative methodology scholar.

Sarah L. Young is an Associate Professor of Political Science and Research Director of the Kennesaw State University CARES Program. She is a nonprofit management, public management, and community engagement scholar.

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APPENDIX

Interview instrument for direct service organizations

1. Tell me about a time when you first felt the impact of the budget impasse within your organization.
2. What is the most difficult (complicated, burdensome, resource-consuming) part of the budget impasse on your organization?
3. What has been the largest impact of this fiscal crisis on your position within this organization? (Probing questions: Was it staffing, fiscal, organization structure?)
4. Who advocates on your behalf with the public funders?
5. How similar or dissimilar is your experience to other nonprofit organizations dependent on public dollars?
6. In what way has the budget impasse impacted your mission? How has your service to your clients changed?
7. What has been predictable and what has surprised you during the budget impasse?

Adjusted wording in interview instrument for statewide associations

1. Tell me about a time when you first felt the impact of the budget impasse within your organization.
2. What is the most difficult (complicated, burdensome, resource-consuming) part of the budget impasse on the nonprofits you serve?
3. What has been the largest impact of this fiscal crisis on the nonprofits you serve within the organization? (Probing questions: Was it staffing, fiscal, organization structure?)
4. What is your role in supporting your member organizations through this budget impasse?
5. How similar or dissimilar is the experience of the nonprofits you serve to other nonprofit organizations dependent on public dollars?
6. In what way has the budget impasse impacted their mission? How has their service to your clients changed?
7. What has been predictable and what has surprised you during the budget impasse?