Charities and Resilience: From Austerity to COVID-19

Dr Vicky Lambert, University of Dundee and Professor Audrey S Paterson, University of Aberdeen.

Abstract

Understanding how charities have survived, and sometimes thrived, in the face of crisis has given rise to an increased interest in the resilience of these organisations. Research on dealing with uncertainty and crisis situations notes the ability to adapt as a critical resilience component (Siders, 2019). However, resilience and adaptive capacity in the charity sector is an under-researched area. This paper contributes to filling this gap by investigating two mid-sized Scottish charitable organisations that have weathered two significant crises: austerity as a result of the financial crisis of 2008, and the COVID-19 pandemic. The study findings enhance resilience research by shedding light on the processes, actions and collaborations that facilitate resilience, and the importance of adaptive capacity in response to crisis. Two distinct approaches to resilience were identified: (1) a strategic approach to resilience, where the charity thrived in the face of crisis and demonstrated high levels of adaptive capacity, and (2) a pragmatic approach, where resilience equated to survival, adaptive capacity was low and, as a result, growth was limited.

Introduction

In recent years the charity sector has faced several major and unanticipated crises, the most notable of which have been the global financial crisis of 2008 and resulting austerity measures, and more recently the global COVID-19 pandemic. Both unexpected events have had a wide-ranging impact on the charity sector, with some charities folding, others being driven to the brink of bankruptcy (Plaisance, 2022), and a few surprisingly coming out of the storm in a better position than they had been previously.

The impact of austerity on charities has been widely acknowledged, with Clifford (2017) reporting that for six consecutive years from 2008, the median real annual growth in income for charities in England and Wales was negative. Although the impact of austerity has been widespread, mid-sized charities are particularly vulnerable during these times (Clifford, 2017; IPPR, 2016; NCVO, 2016). Mid-sized charities are highly dependent on grant income to support their activities and service provision, a characteristic which is seen as enhancing their financial vulnerability (Green et al., 2021). Austerity resulted in charity funding opportunities being drastically reduced, which highlighted the importance of these organisations’ capacity to cope and withstand unexpected crises before they manifest (Lampel et al., 2014; Kober & Thambar, 2021; Green et al., 2021).

In terms of the pandemic, charitable organisations were reported to have faced more immediate and intense service provision and financial challenges than other organisations (Maher et al., 2020), with Hyndman describing the impact on the sector as a ‘perfect storm’ (Hyndman, 2020). Challenges facing charities in the context of COVID-19 were exacerbated by various lockdown measures, which affected, or in some cases halted, both service provision and fundraising abilities (Deitrick et al., 2020). Staffing is one dimension where there is a
distinction between austerity and COVID-19, as during the former crisis volunteers reached record levels; Tzifakis et al. (2017), for example, in their study of the impact of economic crises on NGOs, observed a steady rise in volunteering, with numbers rising by 28% in 2013, aiding recovery. In contrast, charities experienced a reduced workforce due to restrictions and COVID-19-related health issues or volunteer concerns around catching the virus, which posed significant challenges to their ability to continue to provide service to their beneficiaries (Santos & Laureano, 2021).

Crisis, such as those outlined above, expose and exacerbate the financial vulnerability of charities (Zhai et al., 2017; Paterson et al., 2021); for example, charities with low reserves were found to be less able to cope with the impact of COVID-19 than those with higher reserves (Kim & Mason, 2020). However, many studies have reported on the ability of charities to cope in the context of such unexpected events, with many suggesting resilience as a solution (Boin & van Eeten, 2013; Waerder et al., 2022). Resilience in the context of unexpected crises has been studied in a range of settings; for example, Carroll & Slater (2009) suggest financial resilience can be achieved through revenue diversification. Financial resilience has also been considered in the context of non-profit organisations in relation to natural disasters; for example, Chen (2021) identifies a distinction between financial resilience and vulnerability, and the organisational capabilities that facilitate resilience. Green et al. (2021) demonstrates a relationship between financial resilience and income type, and suggest that the instability of income streams may be a significant factor that affects the survival of charities. Liñares-Zegarra & Wilson (2023), in an investigation into the resilience of socially orientated small to medium sized enterprises and third sector organisations during the pandemic, found evidence of resilience and versatility in dealing with unexpected and significant external shocks.

While these works provide some insights into how charities cope with financial vulnerabilities, a gap that appears within this body of research is consideration of broader resilience capabilities, and how they interact with each other and develop adaptive capacity. This paper contributes to the previous research by investigating the types of processes, actions and collaborations that facilitate resilience, and the importance of adaptive capacity in responding to crisis in the third sector context.

It does so by offering insights into the resilience and adaptive capacity of two mid-sized Scottish charitable organisations, labelled Elm and Oak for the purpose of this discussion. These were chosen on the basis that mid-sized charities were reportedly the hardest hit during the period of austerity following the 2008 financial crisis (Clifford, 2017; IPPR, 2016; NCVO, 2016), and as such they provide a rich context within which to consider resilience building strategies during times of uncertainty. Data is drawn over the period 2008-2022. The longitudinal nature of this study permits examination of mid-sized charities’ development of resilience adaptive capabilities following austerity measures as a result of the 2008 financial crisis, and whether these have aided their response to COVID-19.

Two distinct approaches to resilience were identified: (1) a strategic approach taken by Elm, and (2) a pragmatic approach taken by Oak, which yielded different levels of crisis endurance for the organisations. Our findings demonstrate the strategic approach taken by Elm resulted in high levels of adaptive capacity, moving it beyond its equilibrium state and allowing it to emerge from both periods of crisis in a stronger position. Oak, on the other hand, through adopting a pragmatic approach to crisis, demonstrated low adaptive capacity, which achieved a level of resilience that allowed it to return to its equilibrium state, but with limited evidence of growth.
In the next section we present an overview of the concept of resilience and its applicability to the charity sector. This is followed by an outline of the research approach. Thereafter, we turn our attention to presenting the data findings and analysis. In the final section we present our conclusions, study limitations and further avenues of research.

Theoretical Framework: Resilience & Developing Adaptive Capacity

The term resilience was initially propagated by Holling’s seminal work ‘Resilience and Stability of Ecological Systems’ in 1973. This work established the foundations of investigations into various forms of resilience, including how modifying views of behaviours can produce different approaches to the utilisation and management of the resources that can allow an entity to maintain stability and return to an equilibrium state following an adverse event (Holling, 1973). This early work was developed to include new conceptualisations which relate resilience to “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 feedback” (Walker et al., 2004, p.5).

Since this early work, interest in resilience theory has grown considerably across a variety of disciplines, particularly in the field of psychology and, more recently, in the context of organisations (Hamel & Vaelikangas, 2003; Somers, 2009; Vaelikangas & Romme, 2013). A survey on Google Scholar indicates 3270 results for resilience between 2001-2015 (Duchek, 2020, p.217). Within this body of literature, the concept of resilience covers numerous divergent themes and holds many different operational definitions (Duchek, 2020; Searing et al., 2021). For example, Hirsch and Levin (1999, p.200) describe resilience as “a broad concept or idea used loosely to encompass and account for a set of diverse phenomena”. Van Breda (2018, p.1), defines resilience as “the study of the things that make this phenomenon whole: what ‘adversity’ and ‘outcomes’ actually mean, and the scope and nature of resilience processes”. Masten (2018, p.12) describes resilience as “the capacity of a system to adapt successfully to significant challenges that threaten its function, viability, or development”. Vogus and Sutcliffe (2007, p.3481) define resilience as “the maintenance of positive adjustment under challenging conditions such that the organization emerges from those conditions strengthened and more resourceful”. Within the various conceptualisations of resilience, specific original key features remain: external shock or crisis, complexity, continued functioning and the ability to recover from adversity (Searing et al., 2021).

Prior Studies on Resilience

The basic premise of resilience theory posits that it is not the nature of an adverse condition that is important, but rather how we react and respond to it (Holling, 1973). Prior studies have noted that many factors, including environmental factors, individual and collective characteristics, experience and learning capacity, affect the level of resilience (Everly, 2011; Ledesma, 2014). Additionally, organisations that successfully adapt and survive extreme events are considered as resilient (Williams et al., 2017). While the literature in general agrees with this basic premise, the distinction between resilience process and outcome is not always clear (Manyena, 2006). Several studies provide useful insights into organisations’ processes to identify crisis and the necessary actions and resources required to respond to the situation (McManus et al., 2008; Crichton et al., 2009; Ates & Bititci, 2011; Linnenluecke et al., 2012). Such studies focus on identifying the resources, actions, strategies, and processes that may increase organisational resilience (Duchek, 2020, p.221). For example, Burnard & Bhamra
(2011) propose the resilience process as being comprised of three phases: (1) detection and activation, (2) response, and (3) organisational learning, with the response phase being emphasised as the vital component.

In contrast, another group of scholars treat resilience as an outcome, citing organisations that have performed well or have bounced back from a crisis situation as being resilient (Weick, 1993; Horne & Orr, 1998; Vaelikangas & Romme, 2013). However, resilience is more than just bouncing back from an adverse event (Bhamra et al., 2011). Resilience also relates to the ability to cope with ongoing strain and challenges, the build-up of which can compromise the survival of the system just as much as a larger exogenous event (Vogus and Sutcliffe, 2007). Several authors argue that resilience requires anticipation and awareness of risk (Lengnick-Hall & Beck, 2005; Linnenluecke, 2017; Barbera et al., 2020). To cope with and survive extreme events, organisations need to engage with risk mitigation activities (Linnenluecke & Griffiths, 2013). These include interactions among organisational actors, information sharing, developing effective communication systems, and decentralised decision making. Additionally, slack resources and adaptability improve organisations’ capacity to withstand shocks (Boin & Van Eeten, 2013). However, such studies do not address the process or outcome perspectives in detail, leaving a gap in our understanding as to how resilience operates in practice (Boin & van Eeten, 2013).

**Learning and Organisational Resilience**

Learning is a key function in developing organisational resilience (McManus et al., 2007). To be resilient requires “capacity to investigate, to learn, and to act, without knowing in advance what one will be called to act upon” (Wildavsky, 1991, p.70). Lengnick-Hall et al. (2011) endeavoured to define organisational resilience and explore its underlying apparatus. They note that organisational resilience is multifaceted and dependent on three capabilities: cognitive, behavioural, and contextual, the combination of which increases the organisation’s capacity to understand the adverse event and develop customised responses that reflect understanding and facilitate responses to withstand the disruption.

Cognitive resilience explains how organisations identify and develop responses to adverse events, which allow not just survival, but potentially the ability to come back from the adverse event stronger than before (Bhamra, 2011). Cognitive resilience is a theoretical perspective that combines constructive sensemaking, “the reciprocal interaction of information seeking, meaning ascription and action” (Thomas et al., 1993, p240), and ideological identity, the value-driven, central identity that offers a prime directive for organisational choices (Collins & Porras, 1994; Lengnick-Hall & Beck, 2005). Sensemaking is of critical importance when events are uncommon or unique and responses are needed that are outwith those normally utilised by the organisation (Thomas et al., 1993). It assumes organisations notice, interpret, analyse, and develop responses that do not just enable surviving an adverse event, but go further than that. Organisations that demonstrate cognitive resilience actively look for development opportunities, encourage ingenuity and development of new skills, and are less reliant on standardised systems and controls (Thomas et al., 1993).

Behavioural resilience is the mechanism that facilitates enactment of cognitive capabilities (Sutcliffe & Vogus, 2003). This aspect of resilience, through collective activities, enables learning and understanding about the challenges the organisation is facing, through which the identification and mobilisation of collaborative actions to deal with the situation are then implemented (Argyris, 1982). Behavioural resilience therefore transforms ideas and potential courses of action, identified via cognitive resilience, into real actions which are enacted when
previous actions are not sufficient to drive the organisation through the unprecedented event (Lengnick-Hall & Beck, 2005; Lengnick-Hall & Beck, 2009).

Contextual resilience provides a platform from which the core attributes taken from cognitive and behavioural capabilities can be drawn together and mobilised to move beyond survival and potentially develop thriving conditions (Lengnick-Hall & Beck, 2005). Contextual resilience is comprised of two core elements: deep social capital, and broad resource networks (Lengnick-Hall & Beck, 2005). Social capital relates to psychosocial resources within the organisation. It is the combined value of the organisation’s people; their goodwill, interpersonal relationships and networks, and their interactions with one another and with the organisation. Deep social capital also builds a sense of purpose, loyalty and meaning in the face of adversity (Coutu, 2002). Broad social networks provide access to wider information sources, knowledge, and resources (Inkpen & Tsang, 2005) that other organisations are denied (Lengnick-Hall & Beck, 2005). Trust is an important feature of contextual resilience (Ireland et al., 2022), as are the interpersonal relationships derived from interactions between the individuals, groups and networks associated with the organisation (Adler & Kwon, 2002). Deep social capital and broad resource networks are thus key to enabling contextual resilience (Coutu, 2002).

Resilience capacity is argued to be maximised when the organisation develops these three elements to the highest level (Lengnick-Hall & Beck, 2005). Resilience is achieved through past learning that facilitates situation awareness, the ability to identify and manage foundational vulnerabilities that may affect performance, and that fosters adaptive capacity to respond to current and future crisis situations (Vogus & Sutcliffee, 2007). The ability to adapt has been described as foundational to resilience (Parsons et al., 2016; Macrae & Wiig, 2019).

Adaptive Capacity

Thus far, the ability to adapt has appeared within every conceptualisation of resilience. There are several definitions of what constitutes adaptive capacity; however, within each, adaptive capacity is described as incorporating self-organisation, resolution of conflicting goals, reappraisal of priorities, coping with external pressures, and innovation (Reiman et al., 2015; Foster et al., 2019). Parsons (1964) describes adaptive capacity as the “ability to survive in the face of its unalterable features…and the capacity to cope with uncertainty and unpredictable variations” (p.34).

Chakravarthy (1982) posits that adaptive capacity is a key feature within learning organisations. Argyris & Schon (1978) developed single and double loop learning concepts, based on a theory of action, which are applied to adaptive capacity. The single loop concept is a process of evaluation from which organisations detect errors or factors that unbalance operations, and alter their actions accordingly to achieve present objectives. In contrast, double loop learning is more tactical in that it moves beyond detection and correction to include modifications to the organisation’s underlying processes, policies, and objectives (Argyris & Schon, 1978). Double loop learning assumes a higher level of reflexiveness than single loop learning; as such, double loop learning is particularly useful in times of uncertainty and crisis (Staber & Sydow, 2002). Organisations that exhibit double loop learning display flexibility, innovation, and strategies that facilitate change within shifting environments (Argyris & Schon,1978).

When learning occurs at a faster rate than environmental conditions that require a change in organisational processes, adaptive capacity is high (Teece et al., 1997). Organisations that exhibit high levels of adaptive capacity are more proficient at reconfiguring their processes without incurring significant change to their fundamental functions or reduction in services
In contrast, low adaptive capacity or reduction leads to restricted options during periods of uncertainty, reorganisation, and regeneration. Organisations with low adaptive capacity tend to seek out and rely on present capabilities as solutions to the unexpected conditions. Cohen & Levinthal (1990) also suggest that organisations with low adaptive capacity may not recognise the need to develop new knowledge and procedures, resulting in their core capabilities transforming into core rigidities (Leonard-Barton, 1992).

**Resilience in the Non-profit Sector**

Our review of the resilience literature so far demonstrates that the concept of resilience is multifaceted, with many different operational definitions on which we could draw. Our review also demonstrates a growing interest in organisational resilience in recent years. Much of this, however, has centred around private sector organisations. More recently, resilience theory has been applied to the non-profit sector. For example, the resilience concept has proved useful in the analysis of third sector organisations' financial resilience, service provision, and their response strategies and capacities during adverse events (Duchek, 2014; Pape et al., 2020). Anderson *et al.* (2020), in an exploratory study of the characteristics of service quality and quality improvement in healthcare, found that resilience and adaptive capacity are not confined to front-line workers but are spread across all levels of the organisation. Barbera *et al.* (2017; 2020), in their examination of the role of accounting in determining resilience in government organisations, found a diverse range of anticipatory and coping capacities were applied to responses to crisis.

Within the third sector, Kober & Thambar (2021) demonstrate how accounting practices and information are linked to crisis anticipation and resilience capacities. Green *et al.* (2021) investigate the financial resilience of charities in the UK and highlight the nuances between income dependence and organisational survival. Herrero & Kraemer (2022) demonstrate how charities implemented cross-capability building, including both behavioural and social capital capabilities, to cope with the reduction of financial income during the pandemic. Plaisance (2022) considers the resilience of arts and cultural charities, and finds that the resilience of these NPOs should be divided between activity continuity and organisational stability.

While such studies provide some beneficial insights, they remain incomplete and context dependent. The ability of organisations to adapt appears as a central feature of resilience. However, little consideration has been given to the processes of adaptive capacity and the transformative potential of everyday resilience in the context of the third sector. Likewise, little attention has been given to the different approaches taken by charities in developing resilience.

This article aims to contribute to the third sector and resilience literature by investigating the types of processes, actions and collaborations that facilitate resilience, and the factors that enable adaptive capacity and resilience building within the third sector context. Having explored the intellectual roots of resilience and the various conceptualisations of this we consider resilience to be the ability to anticipate, respond to, recover, and learn from unexpected and crisis events. To explore the underlying apparatus of resilience, we apply the three resilience capabilities (cognitive, behavioural, and contextual) put forward by Lengnick-Hall *et al.* (2011).

**Research Method**

The focus of this study is how mid-size charities build resilience capacity in the face of crisis. Mid-size charities are defined as having an income of between £100,000 and £1m (NCVO,
The research setting for this study is the Scottish charity sector, which is substantial in its size and economic contribution. There are over 25,000 charities registered in Scotland, bringing in an annual income of £13.17bn, and of these 35% can be categorised as mid-sized (OSCR, 2021). These charitable organisations have a unique set of features and a distinct approach to service provision, which emphasises relationships and personalised care, and results in them embedding themselves into communities and establishing a long-term presence (Gioaccino, 2019; Yates & Difrancesco, 2021).

This sector is increasingly competitive, with larger charities tending to hold most resources. For example, within the Scottish context, 9% of charities account for around 96% of the total gross income of all charities registered in Scotland (OSCR, 2023). Smaller charities are increasingly unable to compete with larger organisations for government contracts (Hunter & Cox, 2016), with many deterred by the bidding process, which is viewed as burdensome and resource intensive (Thomson & Smith, 2022). Austerity measures also result in cuts to public spending and the availability of grants (Agostino & Lapsley, 2013; Hyndman, 2017; Hyndman & McKillop, 2018), with both small and mid-sized charities reported to be significantly affected by this (Ravenscroft, 2018). Similarly, there is growing evidence that the COVID-19 pandemic has resulted in these organisations facing multiple challenges (Hyndman, 2020), with the reduction in resources available deemed to be 'unprecedented' (Mohan et al., 2022). However, despite this potentially difficult landscape, there is also evidence that these mid-size organisations can adapt to challenging circumstances (Henderson & Lambert, 2018). This provides an interesting setting within which to study resilience.

To gain insights into how mid-size charities developed resilience capacity in the context of major crises, two longitudinal case studies were conducted with mid-size Scottish charities. The two case studies were selected as they allow for an in-depth consideration of a particular phenomenon (Stake, 1995), and for comparisons to be drawn between cases (Yin, 2004). Longitudinal cases studies are beneficial to understanding change in organisations (Ramberg, 2017), and their importance in public services research is detailed by Wond & Macauley (2011). The longitudinal aspect of this study allowed investigation into how the nature of different crises influenced response. In particular, it facilitated the examination of the response to austerity, and whether this influenced the response to COVID-19 in these charities. This further enabled consideration of the role of learning in building resilience capabilities. The case study charities were selected as they shared similar social missions, with both working to provide support to young people and the families of young people with additional support needs. In addition, prior to austerity and the financial crisis, the two charities selected were at a similar point in their evolution and scale of operations. The chief executives (CEO) of the case charities, who are still in post, started within three years of each other and faced a similar range of challenges. These cases have been ascribed the pseudonyms Oak and Elm.

Both Oak and Elm are established national charities providing services across several local authorities within Scotland. Both organisations have been in operation for over 30 years. Oak provides support to families of children and young people with complex needs. This support is provided within the community by a designated community support team. Similar support is also provided in the hospital setting. Elm provides services within the community for disabled children and young people from birth to young adulthood, using play as a vehicle for support. They offer a range of services, such as training, respite, and youth clubs.

Table 1: Summary of the case study charities’ financial income levels

<table>
<thead>
<tr>
<th>Oak</th>
<th>Elm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Income (£)</td>
</tr>
<tr>
<td>-----------</td>
<td>------------</td>
</tr>
<tr>
<td>2007/08</td>
<td>377,917</td>
</tr>
<tr>
<td>2008/09</td>
<td>408,233</td>
</tr>
<tr>
<td>2009/10</td>
<td>359,588</td>
</tr>
<tr>
<td>2010/11</td>
<td>406,205</td>
</tr>
<tr>
<td>2011/12</td>
<td>448,608</td>
</tr>
<tr>
<td>2012/13</td>
<td>306,769</td>
</tr>
<tr>
<td>2013/14</td>
<td>361,362</td>
</tr>
<tr>
<td>2014/15</td>
<td>471,900</td>
</tr>
<tr>
<td>2015/16</td>
<td>467,589</td>
</tr>
<tr>
<td>2016/17</td>
<td>503,194</td>
</tr>
<tr>
<td>2017/18</td>
<td>565,903</td>
</tr>
<tr>
<td>2018/19</td>
<td>381,749</td>
</tr>
<tr>
<td>2019/20</td>
<td>405,966</td>
</tr>
<tr>
<td>2020/21</td>
<td>483,099</td>
</tr>
<tr>
<td>2021/22</td>
<td>412,275</td>
</tr>
<tr>
<td>Average income over 15 years</td>
<td>424,024</td>
</tr>
</tbody>
</table>

Data was collected via semi-structured interviews and documentation. The semi-structured interviews were conducted with a range of key informants working within these organisations. This allowed a broad insight to be gained into the impact of crises and how responses were implemented at all levels of the organisation. Interviewees included front-line service workers, chief executives, and board members. Interviews were conducted at two points in time, firstly in 2014/15, as the charities were experiencing austerity, and secondly in 2022, in the aftermath of the COVID-19 pandemic. Interviews were undertaken until ‘saturation’ was reached, where no new insights emerged and an in-depth understanding of the responses to both austerity and COVID-19 had been gained (Strauss & Corbin, 1990). Further details of the interviews are set out in Table 2.

Interviews were transcribed verbatim and subject to data reduction (Miles and Humberman, 1994). The first stage of analysis involved identifying the main themes within the raw data. Two broad themes were identified at this first stage of data analysis, which were linked to austerity and COVID-19 resilience aspects. Participant responses that did not fit within the two main themes were excluded. Following this, a thematic analysis of each broad theme was carried out (Strauss & Corbin, 1990). The data that emerged from this centred around the key stages of crisis response. The data was then organised into themes from the literature around resilience capabilities, utilising the categorises of ‘austerity’ or ‘COVID-19’ to draw comparisons between the two periods. Documentary evidence, such as annual reports and
internal documents, were used to provide some case context and give the necessary detail in relation to changes in services and fundraising strategies.

Table 2: Interviewees

<table>
<thead>
<tr>
<th>Interview code</th>
<th>Charity</th>
<th>Interviewee Role</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1a,b</td>
<td>Oak</td>
<td>Chief Executive (2 interviews)</td>
<td>2015</td>
</tr>
<tr>
<td>O2</td>
<td>Oak</td>
<td>Fundraiser</td>
<td>2015</td>
</tr>
<tr>
<td>O3</td>
<td>Oak</td>
<td>Board Chair</td>
<td>2014</td>
</tr>
<tr>
<td>O4</td>
<td>Oak</td>
<td>Front Line Worker</td>
<td>2015</td>
</tr>
<tr>
<td>O5</td>
<td>Oak</td>
<td>Front Line Worker</td>
<td>2015</td>
</tr>
<tr>
<td>O6</td>
<td>Oak</td>
<td>Chief Executive</td>
<td>2022</td>
</tr>
<tr>
<td>O7</td>
<td>Oak</td>
<td>Treasurer</td>
<td>2022</td>
</tr>
<tr>
<td>O8</td>
<td>Oak</td>
<td>Fundraiser</td>
<td>2022</td>
</tr>
<tr>
<td>O9</td>
<td>Oak</td>
<td>Front Line Worker</td>
<td>2022</td>
</tr>
<tr>
<td>E1</td>
<td>Elm</td>
<td>Chief Executive</td>
<td>2015</td>
</tr>
<tr>
<td>E2</td>
<td>Elm</td>
<td>Head of Fundraising &amp; Communications</td>
<td>2015</td>
</tr>
<tr>
<td>E3</td>
<td>Elm</td>
<td>Senior Fundraising Officer</td>
<td>2015</td>
</tr>
<tr>
<td>E4</td>
<td>Elm</td>
<td>Accountant</td>
<td>2015</td>
</tr>
<tr>
<td>E5</td>
<td>Elm</td>
<td>Front Line Worker</td>
<td>2015</td>
</tr>
<tr>
<td>E6</td>
<td>Elm</td>
<td>Board Chair</td>
<td>2015</td>
</tr>
<tr>
<td>E7</td>
<td>Elm</td>
<td>Chief Executive</td>
<td>2022</td>
</tr>
<tr>
<td>E8</td>
<td>Elm</td>
<td>Board Chair</td>
<td>2022</td>
</tr>
<tr>
<td>E9</td>
<td>Elm</td>
<td>Front Line Worker</td>
<td>2022</td>
</tr>
<tr>
<td>E10</td>
<td>Elm</td>
<td>Front Line Worker</td>
<td>2022</td>
</tr>
<tr>
<td>E11</td>
<td>Elm</td>
<td>Senior Manager</td>
<td>2022</td>
</tr>
<tr>
<td>E12</td>
<td>Elm</td>
<td>Fundraiser</td>
<td>2022</td>
</tr>
</tbody>
</table>

Findings
Having set out the research method and position of the two case charities in 2008, we now outline the study findings and consider these in relation to resilience theory. Two differing approaches to crisis were observed. The first case, Oak, represents a pragmatic approach to resilience. The second case, Elm, provides an example of a strategic approach to resilience.

**Oak: A Pragmatic Approach to Resilience**

Discussions about the position of Oak at the outset of austerity revealed the view that the organisation was in a relatively fragile position financially and managerially (O1 & O3). At this point it was two years into a £1m five-year grant constituting 70% of its total income. This was the largest grant the organisation had ever secured; as such, it was unprepared for how to deal with such sizable funding, and multiple problems ensued (O1). Monitoring and evaluating the use of the fund and reporting back to the funding organisation was particularly problematic as it did not have an appropriate system in place to facilitate this (O3 & O5). A further significant problem was the lack of any other sources of funding on the horizon to replenish its funds when the large grant ended. This was exacerbated by the impact of austerity, due to reduced funding sources, increased competition, and no fundraising support within the organisation (O1, O2 & O3).

**Building Resilience Capabilities During Austerity:**

Having outlined the general position of Oak at the start of austerity, we now turn our attention to reporting how it responded to the situation.

**Cognitive Capabilities: Sensemaking and Identifying Processes**

Cognitive capabilities within Oak were evident to some degree in terms of its constructive sensemaking and responses to crisis situations. There was a clear focus on survival and understanding of the impact of austerity on its fund-raising ability, and the urgent need to address its vulnerable financial position (O3). Ensuring the survival of the organisation and maintaining effective service provision was deemed critical. It was recognised that this could potentially be achieved via funding diversification, developing the infrastructure to support fundraising in the form of staff expertise and a system that would enhance the charity’s ability to report on the progress of current grants, and improving applications for new grants:

“There wasn’t really monitoring and evaluation system in place...you can’t apply for grants when you don’t know how many people you’re supporting”. (O1)

The planned crisis responses for funding diversification and infrastructure building were aligned with the values of the organisation. Although Oak’s goal was to pursue some growth, there was a rejection of an overly business oriented approach, which may have been at odds with prioritising the needs of its beneficiaries:

“Business thinking doesn’t sit very easily with the type of work we’re delivering, which is thinking about people in a very different way. And in terms of the business side of things, I can see that we can really outcompete other organisations, but that’s what’s not very comfortable for me, because our whole ethos is about being caring and suddenly you’ve got to be quite ruthless”. (O1)
Despite this, there was an acknowledgement of the importance of professional expertise, which came in the form of voluntary support from the finance director of a local housing association, who had supported Oak’s strategic planning, as noted by the CEO:

“The five-year planning has really helped me to see things... we really want financial security, but we have to actually question what activities we’re planning rather than just randomly applying for any grant that comes along”. (O1)

**Behavioural Capabilities: Key Actions**

In terms of responses to crisis situations, the approach taken by Oak was pragmatic, focusing on responding to the immediate situation. Its behavioural actions focused on rationalising service provision, fundraising, monitoring and evaluation, and service flexibility. As financial resources were extremely tight and uncertain, Oak reviewed all its service provisions to identify where, if any, cuts could be made (O1b).

Following this, attention was directed at the organisation’s fundraising approach. To combat the risk of over-dependency on one large grant funder, as had been the case previously, there was a shift towards diversifying funding sources by targeting multiple small grants with different end points. However, this was difficult in practice. Throughout austerity, grant funding continued to be the main income source, and diversification proved challenging. Prior to austerity, Oak had been engaged via two separate contracts by the local authority (LA), to provide support to families of children and young people with complex needs on their behalf. During the austerity period, these two LA contracts were lost. The loss of the contracts was a significant blow, as other funding streams had also diminished (O3). The charity demonstrated adaptability by refocusing its services for those with the most complex needs.

To help combat the fundraising challenges, a part-time fundraiser was recruited. Despite the recruitment of this fundraiser (O2), the CEO still took primary responsibility for fundraising applications:

“Although I’m the fundraiser for these huge applications, it’s [the CEO] doing it with my support. I do all the practical stuff but it’s [the CEO] who knows how to use the database, it’s her vision of how she wants to develop the service”. (O2)

The CEO had a heavy caseload, which was reported as causing a tension between service delivery and developing grant-funding applications. Service delivery tended to be prioritised, impacting on application quality and success-rate (O1, O2).

To address the problem of monitoring and evaluation, a sophisticated performance measurement system was developed with external consultants. An online database where staff could input data and easily measure bespoke outcomes was constructed. It allowed the charity to report back on its achievements, and enabled the identification of data that could target funding around specific needs (O2). This system was part of a requirement from a major funder, as the charity had initially been unable to report back on its award (O1).

In response to funders prioritising new and innovative projects over existing ones, attention was directed at developing new services and rebranding or narrowing down the focus of current services (O1, O4 & O5). When the contract for a core service - a telephone helpline - was lost, the response was to adapt by narrowing its provision:
“We’ve deliberately moved into higher and higher proportions of children with very complex needs – and that was over the loss of the [telephone helpline] tender, because before we would support anyone who came to our door, but when we lost the tender, we had to decide, well ok we can’t do that…” (O1b)

Another action taken by Oak was to improve its website, enhancing its external profile and supporting fundraising efforts:

“In a simple way, one of the biggest things we did was improve our website. We were lucky to get given help from a freelance photographer – he took amazing photographs – and then we put money into our website. I think because the front of Oak suddenly looked so good and the photos captured what it means for parents to care for their children, meant that when we put funding applications in, we started to get a really good rate of success”. (O1a)

Contextual Capabilities: Key Collaborations
It was recognised that the survival of the organisation during the austerity period was also largely down to the collaborative efforts within the team. Indeed, the (cognitive) responses and (behavioural) actions, brought together through staff and funders, were highlighted by the CEO as critical factors in the organisation’s survival. Staff commitment, in particular, was flagged as a key factor that facilitated successful service delivery during austerity (O1a, O4, O5), with staff going above and beyond what was expected in their daily activities (O1b). Oak reported that each employee had a family member, relative or close friend with additional support needs, which facilitated a deep sense of purpose. Thus, the staff had a strong personal connection to the charitable cause:

“I think that because the staff, almost all of them are parents of children with disabilities so we’ve got a huge camaraderie amongst us, and the trustees as well. It’s almost like that really is where our main resilience comes from”. (O1a)

Strong funder relationships were also important, with two cited as ‘saving’ the organisation by awarding grants during difficult periods; one award was made during austerity, and another at a point when the organisation was close to folding prior to the pandemic:

“[Funder X] came out to save us because they were horrified by what had happened to us with the [telephone helpline] tender, and they dug around, and they found us an annual grant of £40,000. And one of the other authorities dug around and found us another grant”. (O2 & O3)

In addition to funder networks, external expertise was provided on a voluntary basis by the finance director of a local housing association, who had been instrumental in providing financial support and helping with strategic planning (O1).

Building Resilience Capabilities During COVID-19
While Oak had survived the austerity period, it achieved minimal growth between 2008 – 2019, with its income level at the start of the COVID-19 pandemic being £405,966 (see Table 1). Thus, at the start of the pandemic it was in a similarly vulnerable financial position as it had been in 2008. Despite enhancements being made to its infrastructure and resources during the austerity period, these were difficult to maintain. The charity had continued to face numerous financial challenges, thus its financial resilience remained weak. The part-time fundraiser hired in 2012 was later lost to voluntary redundancy in 2017 and was not replaced, thus reducing its already limited fund-raising capabilities.
Cognitive Capabilities: Sensemaking and Identifying Processes

For Oak, the pandemic restrictions impacted upon all services, and normal provision ceased at the start of March 2020. Interpreting the challenges of COVID-19 and developing appropriate responses had to be done immediately (O6). In Oak, considerations varied for each aspect of its service; for example, community work could not be undertaken due to lockdown restrictions, therefore online provision required consideration (O9). For the hospital service, after an initial lack of clarity around whether this work could remain as normal, agreement was granted to continue service provision (O9). Beyond service delivery, attention was also given to financial threats; lockdown meant that certain income sources would be lost, such as in-person fundraising events and activities. Emphasis was placed on maintaining existing grant funding relationships and trying to identify any new resilience grants that would support operations (O7). Staff well-being was also a key consideration (O6).

Behavioural Capabilities: Key Actions

In response to Oak’s sensemaking of what was required to navigate the pandemic, behavioural actions focused around maintaining service delivery and ensuring financial stability. In terms of service delivery, internal processes were developed to enable community work to be moved online, and support was provided to families by a combination of phone, email, and online meetings (O9). The hospital service continued in-person, with one member of staff based on-site, and others providing support remotely. Service delivery was challenging, with 4 members of staff furloughed (O9); however, the charity ensured service levels were maintained. This was partly attributed to the efficiencies of online delivery, eliminating travel time for the community service, a mode of delivery which has been permanently adopted beyond COVID-19. Structural changes implemented throughout austerity had been central to carrying out the service changes brought about by lockdown (O7 & O6):

“Something that has definitely saved us was that every year from 2008 we did something new to improve Oak’s viability, even if it meant a bit of an uncomfortable stretch. So, we found external HR people, we reviewed our handbook, we reviewed all our HR files, we put in a proper telephone system, all the staff got upgraded laptops. Each year, we put in some good building blocks...our accounts are in xero, we’ve got an online fundraising database, and we use online Office 365 to store all our documents... it meant when the pandemic happened, we could almost go overnight to working from home because we were all online, so that saved us”. (O6)

In terms of funding services, Oak’s income increased in the first year of the pandemic largely due to the award of an emergency COVID-19 grant, but also due to the use of the furlough scheme, which eased some staffing costs, with other staff reducing their hours to allow the organisation to cut costs. The nature of the service was also viewed as shielding it from more severe financial consequences, as the Treasurer of Oak explained:

“I think a point that’s occurred to me was most of our costs are staff. It’s advocacy and support that we provide and that’s not capital intensive. It’s not like we are having to provide meals for people or buy cars, so we’re not spending money on anything apart from staff. So that helps us to be a bit more resilient”. (O7)

Furthermore, Oak recruited a fundraiser in October 2020, to replace the previous fundraiser who had been lost to voluntary redundancy in 2017:
“So, when the pandemic hit – I think it was actually just before the pandemic – we were still struggling financially, but the trustees really sort of stretched out and said, ‘let’s fund a fundraiser’. So that was a really good move...”. (O6)

A key action of the new fundraiser was to select and implement an online funding database to allow the charity to manage funder information, which could be utilised to formulate future funding applications. While they identified what needed to be done and learning took place, this was mainly from a financial constraint and firefighting perspective:

“I think a problem of size. If you're relatively small you’re firefighting...you do as much as you can and hope you get in as much as you can. It would be nice to get to a point where you could be strategic about how you go for money, but we're not at that stage”. (O7)

Discussion around expanding its services and growth did not feature highly. Where such expansion and development was mentioned, this was noted as aspirational, as the organisation had not had the resources to deliver on some of the services and projects that would facilitate growth (O8). However, it was noted that, post-COVID, the organisation was prioritising a move towards partial earned income through running a parent training programme funded by the LA.

“The beauty of that demonstrates that if you can find a niche for yourself, instead of just being generalist you can actually make it happen yourself; that's going to be a lot more stable way of funding your charity going forwards”. (O7)

Contextual Capabilities: Key Collaborations
Contextual capabilities were primarily developed through staff commitment (O6 & O7) and support from funders. Staff were said to be crucial to both service delivery and financial stability. At the outset of the pandemic, redundancies loomed; however, staff proposed job-sharing to alleviate this threat (O9). In terms of service delivery, staff with young children were furloughed, leaving those remaining in a challenging situation:

“So that meant the rest of us kept the service going. I don’t know how we did it, but we’ve never dropped family numbers”. (O9)

The key role of the staff is also echoed by the Treasurer:

“We very much relied on the staff to make it work. Part of the charity’s ethos is for everyone to have experience of having a child with the high level of needs, and most likely their own. So, all these people are very much bought into it. They don’t see it as a job. So, we rely on the staff being invested in the charity to help make it work”. (O7)

“It’s a bit ironic to say it, but I think the huge challenges that we’d had before the pandemic meant that we were more resilient, and with the cost-of-living crisis I can feel the resilience amongst the staff team, nobody moans about it, but you can sense that you’re bracing for a difficult time”. (O6)

While the role of staff was deemed to be critical, funder networks and relationships were also highlighted as important factors in surviving the financial pressures of the COVID-19 situation. During the COVID crisis, Oak reported that several of its funders were supportive, with one
offering additional funds to cover staff costs prior to the furlough scheme being put in place (O7).

While support was received via the furlough scheme to ease some of the staffing costs and secure jobs, the relationship with its grant funders, and the trust that had been built up during austerity, gave Oak the confidence to approach funders and initiate discussions about accessing additional support to withstand the pandemic (O6 & O8). As a result of this, two government grants were secured. This has given Oak some confidence and hope of continued financial support to weather the next storm, namely the current cost of living crisis:

“My experience from the recession and from the pandemic, and already I can sense – people are emailing about cost of living – my experience tells me that our funders will want to be more supportive and more generous”. (O6)

Data Summary: Oak
During both crises, Oak’s resilience capacity was developed through cognitive, behavioural, and contextual capabilities, which combined to prevent failure. However, attainment of each capacity varied and, as a result, did not considerably strengthen the organisation during either crisis. Oak’s cognitive capacity did not align fully with the behavioural element due to resistance to adopting a more business-like approach which, combined with restricted resources, limited their resilience. Indeed, many of the challenges and fragilities Oak faced in 2008 were still in place at the start of the COVID-19 pandemic. As such, Oak’s response to crisis can be viewed as pragmatic, focussing on responding to immediate problematic conditions, with little consideration given to the development of strategic plans for future growth and expansion, and therefore reflects low levels of adaptive capacity during both crises.

Elm: A Strategic Approach to Resilience
Prior to austerity, Elm was in a vulnerable position and on the brink of closure because limited infrastructure and resources hindered the organisation’s ability to develop services and attract funding (E1). For example, there was no fundraising expertise to support grant funding applications, or systems to capture and monitor data for performance and reporting. This made fundraising challenging, as Elm had little evidence to demonstrate the effectiveness of its use of existing grant funding, which could be used to support future grant applications (E1). This was exacerbated by the impact of austerity, where saw a drop in income of 12.37% between 2008 and 2009 (see Table 1) (E4).

Building Resilience Capabilities During Austerity
From the outset, the new CEO demonstrated a financial and business-like mindset. On taking up the position of CEO, a review was conducted to ascertain the exact financial and resource position of the company, with a view to identifying ways and means of navigating the crisis and putting the organisation on a more stable path, and building in some resilience to cope with unexpected or foreseen events (E1). This immediately signifies the use of cognitive capabilities, which are outlined in more detail next.

Cognitive Capabilities: Sensemaking and Identifying Processes
Elm’s responses to financial crisis and resulting austerity were formulated around infrastructure and funding challenges. For example, the CEO noted “When I arrived here, we didn’t have a server” (E1). The lack of such basic infrastructure was immediately identified as a problem, and steps were taken to address this as quickly as possible (E4 & E6). The introduction of a server was considered essential for dealing with existing organisational challenges which were
being exacerbated by the crisis. These challenges comprised an increasingly competitive fundraising environment, with funders having less money to award, the organisation’s high dependency on grant income, and limitations in resources and infrastructure, which were inhibiting successful funding applications and the organisation’s operations more widely (E1, E4 & E6).

The next step involved revisiting the organisation’s strategy and mission. This involved re-examining current service provision and seeking to identify new opportunities that may help with the financial challenges the organisation was facing (E1). Growth was identified as a shared vision of the CEO and the Board, with recognition of the importance of strategic planning and adopting a more business-oriented approach to the management of operations (E1 & E6). This included introducing targets for staff, and increasing and diversifying funding to expand services (E4). Growth was highlighted as an important aspect of Elm’s strategic planning. Of critical importance was that Elm was a learning organisation: “We are a learning organisation... So, we have a service that's built on reflective practice” (E7). It was recognised that this required investment in its basic infrastructure and a revised approach to how it managed its operations.

**Behavioural Capabilities: Key Actions**

In response to the cognitive capabilities outlined above, behavioural actions were taken around three specific activities: fundraising; monitoring and evaluation; and service flexibility and innovation.

Elm was highly dependent on grant income at the start of the financial crisis, with the responsibility for funding applications resting on the CEO, with no other fundraising support. To overcome this challenge, Elm hired two full-time fundraisers (E2 & E3) to develop and implement a clear fundraising strategy that would support the growth aspirations the CEO and the Board had agreed on (E2 & E3).

“It's a very strategic process...We made a commitment to growth from the outset. Now we continue to do that. We work on a three-year strategy”. (E1)

This involved diversifying funding streams, including as a move towards more commissioned work and earned income from service provision (E11). Thus, the funding strategy implemented by Elm, while initially designed to see it through the challenges of austerity, had a strategic foundation that ensured there was a sustainable approach to fundraising beyond the crisis of austerity, which would facilitate growth. This is outlined below by the board chair and CEO of Elm:

“We were in the midst of difficult financial times for lots of charities, and we believed that to grow as an organisation we needed to invest in a fundraising function (headed by a professional fundraiser) that would allow us to develop new income streams, be less reliant on trust foundations and secure a wider spread of income. So, we now get funding from corporates, individuals, major donors, and more lottery funding than we had before”. (E6)

“We adopted a strategic approach. We started off with 92% of our income coming through trust foundations and grants, and we made the decision that we would diversify our income sources which would reduce risk points. Our aim was to have a minimum of 50% of our income coming through commissioned work and earned income, and only 50% coming through fundraising. That would mean that our reliance on fundraising was much, much less”. (E1)
This growth was supported by investing in infrastructure and technology that facilitated greater financial and management control. A swipe card system was put in place to enable the monitoring of service users, allowing data to be captured easily for funding applications and reports. The implementation of the new system was supported by a secondee from a large financial institution that was sympathetic to the organisation’s position.

“We got a server and a proper online HR system, Sage, which has now become QuickBooks, and e-tapestry fundraising system. We had help to set this up. The truth is that you have to build the infrastructure in order to facilitate quality management, and you have got to do that over a period of time”. (E1)

In terms of service provision, Elm acknowledged funder preferences to fund new, over existing, projects. Therefore, attention was directed at developing new projects and rebranding current projects. Elm expanded the range of services that were being offered; for example, it increased the age range of young people it supported, and identified areas where there was extensive funding, such as youth work (E1, E2, E3, E4, E5 & E6). “As a result of these initiatives we grew year on year and between about 15 and 20%”. (E1)

Contextual Capabilities: Key Collaborations
Similarly to Oak, social capital was a key resilience factor within Elm. Staff dedication and commitment facilitated successful service delivery during times of crisis. This commitment and sense of purpose were identified as being linked to managerial style, which was based predominantly on solidarity, and the nature of and personal affiliation with the service the charities provided during austerity (E1 & E5):

“We have tried to set it up almost as an extended family, this is a place that when you come in, you never ever, ever want to leave it. So, actually, our staff turnover is completely negligible, so that makes an organisation stable. It’s really good for quality of the service, it should be good for families, and it just makes for a more stable organisation really”. (E1)

A deep sense of purpose was described by many staff members, with personal experience of the cause (E9, E10, E11 & E12). The expertise of staff was also vital; for example, the fundraising lead had significant experience fundraising in other organisations, and the board chair was part of the executive leadership team of a major oil company (E3). Staff welcomed the vision of the CEO and Board, and embraced changes to systems, service provision, and the performance targets that were introduced, signalling their trust in management:

“We’ve never done anything here in the organisation that would compromise children’s wellbeing. I’m the parent of a child with autism, sibling of a child with very complex medical needs, they know that my heart would be in the right place, so they trust me”. (E1)

The importance of strong funder relationships was also key in responding to crisis. For example, the actions developed in relation to behavioural resilience were noted to have enabled the expansion of funder networks and supported the growth of the organisation:

“We are very well regarded by the local authority. We have taken on some service level agreements with them to help support their respite services. Also, we have training contracts, so it’s actually earned income from them to deliver training... We also were successful in getting money from the third sector early intervention fund, that was the first time we had ever
got any money of that scale from the Scottish Government. And then a lot of work went on with corporates, building up relationships. We were lucky to have Charity of the year with [X], who had a target of raising £40,000 for us.”. (E3)

**Building Resilience Capabilities During COVID-19**

In the aftermath of austerity, Elm saw growth year-on year as a result of its clear strategic planning and strong fundraising function, which had moved the organisation towards earned income, enhanced its sustainability and reduced the risk previously experienced from an over-reliance on short-term grant funding. The approach is outlined below:

“I think that the funding bit is key. You know we diversified income sources so that we had statutory funding as well as grant funding, and earned income as well as corporate relationships and community-based fundraising, and year on year we grew those income sources, and we grew the team to match the strategy in terms of income. So that kind of gives you a kind of flavour of the culture being king, the people being the most important, and funding being absolutely crucial”.

The service was experiencing high levels of demand, and in 2018 a waiting list for one specific service – a youth club – was closed and did not reopen until just before the COVID-19 pandemic. Income levels had also steadily risen and were reported at over £2 million at the end of June 2020. As a result, Elm entered the pandemic as a large charity, rather than a mid-sized one, after this period of continuous growth which place it in a strong position moving forward.

**Cognitive Capabilities: Sensemaking and Identifying Processes**

For Elm, the pandemic restrictions initially impacted all services, and normal provision ceased at the start of March 2020. Interpreting the challenges of COVID-19 and developing appropriate responses had to be done at a very fast pace in order to continue to support its beneficiaries (E7). Consideration was given to the continuing provision of services and the financial implications associated with lockdown restrictions on earned income and fundraising activities (E4, E9 & E10). These conversations began immediately, with the Board forming a COVID-19 committee. Initially, weekly meetings were scheduled to consider the pandemic response and how service delivery could continue (E7, E8). Although there was agreement that Elm could move to an online provision, a proactive approach was also adopted toward reinstating face-to-face service delivery as quickly as possible, with the development of a proposal to the local authority that would enable it to continue providing services to vulnerable children. This was subsequently approved.

“We knew that if they designated us as a centre for vulnerable children, we would be allowed to operate... so, we said let's switch to digital on the one hand, but let's also see if we can open our service, so we wrote a paper for the local authority and actively offered a contract to them”. (E1)

Income from this additional LA service helped with the financial implications of lockdown, offsetting the lost income from in-person fundraising events and activities, and some of the face-to-face service delivery (E4). Additionally, a very proactive approach was taken toward identifying potential alternative sources of income and filling funding gaps. Thus, Elm demonstrated significant cognitive resilience by identifying innovative solutions to the challenges posed by the pandemic.

**Behavioural Capabilities: Key Actions**
The key behavioural actions that were undertaken to navigate the pandemic related to maintaining service delivery and ensuring financial stability. The development of digital services was led by the team leaders (E9). Initially they had to upskill to rework the service into a digital space. Online services included play sessions, which were delivered live to early years families, with recorded sessions also offered (E10). Youth clubs were moved online, still allowing young people the opportunity to interact with their friends, and online scavenger hunts were developed (E11). A library of recorded stories was also established. In addition to the extensive range of digital services, as part of a contract with the LA to provide a service for vulnerable children, Elm was also able to open one centre under emergency measures in early April 2020, and to keep this open throughout the pandemic (E11 & E12).

Financially, the lockdown restrictions resulted in a reduction in earned income and lost income from various fundraising events that could not be held (E3). This was partially offset by the new LA contract, which, combined with cost reductions from moving service provision online, led to a surplus (approx. £300,000) for the period ended June 2021 (E4). Throughout the pandemic, Elm continued to identify and implement new growth opportunities. For example, after the lockdown restrictions were lifted in 2021, a holiday club was developed for school children with complex needs, and a respite service was also introduced (E6, E9 & E10). As previously noted, during austerity Elm had diversified its funding streams over a number of years, which had resulted in a reduction of financial risk. However, despite continued fundraising efforts throughout the pandemic, the 2021/22 financial year was highlighted as the most challenging in the organisation’s history (E7 & E12).

Contextual Capabilities: Key Collaborations
Staff played a key role in the pandemic response (E7 & E8). When agreement was reached with the LA to allow the service centre to reopen, all staff expressed a desire to return to work on the face-to-face service. Only one staff member with an underlying health condition was unable to return to face-to-face service delivery. The importance of the staff is highlighted by the CEO:

“We did really well in COVID, because we were able to respond because our staff team were smart, flexible, invested. Totally can-do attitude. They said, ‘we can do this, we will make children and families lives better’. I mean, I’m so unbelievably proud of them as a group of people. I just think they are actually outstanding”. (E6)

Although the role of staff was deemed to be critical, funders were also noted to have played an important role in the resilience of the organisation during the pandemic. Support was offered by existing funders and proved invaluable, but key was the organisation’s ability to build on existing trust relationships with some funders, such as the LA:

“For me it was absolutely about capitalising on the relationship of trust and how we excelled in that space with the local authority”. (E7)

Data Summary: Elm
Reflecting on the data presented, high levels of resilience capabilities were developed across cognitive, behavioural, and contextual aspects within Elm. These combined to propel the organisation through both crises, and on each occasion Elm ‘bounced back’ to be stronger than its pre-crisis state (Bhamra, 2011). The challenges facing Elm at the beginning of austerity had been largely resolved by the start of the pandemic, placing it in a strong position to navigate the COVID-19 crisis. Since 2008, the organisation had achieved substantial growth, both in
relation to service provision and income. As such, Elm demonstrated a strategic approach to crisis by adopting a forward-looking managerial approach grounded in learning, which was aligned with high levels of adaptive capacity.

Discussion and Conclusion

Charities operate in a highly challenging and complex environment. This has been exacerbated in recent years by two major unanticipated crises: the financial crisis of 2008 and the resulting austerity measures, and the COVID-19 pandemic. Understanding how charities survive and sometimes thrive during crisis has attracted attention and resulted in calls to investigate the resilience of these organisations (Sider, 2019; Hyndman, 2020; Waerder et al., 2022). The ability of organisations to adapt appears as a central feature of resilience. However, little consideration has been given to the processes of adaptive capacity and the transformative potential of everyday resilience in the context of the third sector. Likewise, little attention has been given to the use of pragmatic or strategic resilience within the third sector.

This paper contributes to filling this gap by investigating two mid-sized Scottish charitable organisations that have weathered two significant crises: austerity, and the COVID-19 pandemic. The study findings enhance resilience research by shedding light on the processes, actions, and collaborations that facilitate resilience, and the importance of adaptive capacity in response to crisis. This was done through a longitudinal in-depth case study of two mid-size Scottish charities who have survived the challenges of both austerity and COVID-19. Having explored the intellectual roots of resilience and the various conceptualisations of the concept, we considered resilience as the ability to anticipate, respond to, recover from, and learn from unexpected and crisis events. To explore the underlying apparatus of resilience we applied the three resilience capabilities (cognitive, behavioural, and contextual) put forward by Lengnick-Hall et al. (2011). According to Lengnick-Hall et al. (2011), resilience capacity is maximised when the organisation develops cognitive, behavioural, and contextual capabilities to the highest level.

Our findings demonstrate that charities develop resilience capacity in response to crisis via specific capabilities – cognitive (processes), behavioural (actions), and contextual (collaborations) – that are intertwined and combine to facilitate a specific crisis response. Although these three aspects intertwined to shape crisis response, the level of each capability attained was different in each of the case study charities, which impacted on their overall crisis response and level of adaptive capacity.

In our case study charities, two divergent approaches to crisis were taken: one took a pragmatic approach, and the other took a strategic approach. These two responses are conceptualised as 'pragmatic resilience' and 'strategic resilience', as outlined below.

Oak was identified as demonstrating pragmatic resilience. This can be defined as a sensible approach to problem solving that suits the current conditions, rather than following fixed rules, procedures, and beliefs. It involves adapting course when necessary to regain the right equilibrium (Juncos, 2017). This form of resilience is problem driven, and starts by defining and assessing the material problem(s) that are disrupting the status quo, and prioritising problems that require immediate action. Within Oak, during both crises there was clear cognitive recognition of the vulnerability of its financial position and the need to take action; however, maintaining and staying true to its core mission (to support families of children and
young people with complex needs) was of paramount importance to the charity, and financial strain was accepted as an ongoing situation. As such, Oak’s cognitive response to crisis was aligned to prioritising the maintenance of existing services and adopting a firefighting approach to dealing with income generation to ensure survival, with little consideration given to growth.

Pragmatic resilience can also be considered in relation to the financial performance of Oak. Fluctuations in income levels were apparent, with income decreasing five times within the period under study, and income levels dropping below average levels of £424,023 nine times over the period observed (see Table 1). Overall, income in 2021/22 was at a similar level to that of 2007/08, emphasising the status quo had been maintained, but limited growth achieved.

Pragmatic resilience also involves making use of whatever structures and resources (financial, physical, human) are available, and an adjustment in language from capacity building to crisis response (Haldrup and Rosén, 2013). A pragmatic response results when adaptive capacity is low, and organisations rely on present capabilities as solutions (Teece et al., 1997). Single loop learning is also a key aspect, where factors that impact upon operations and actions that aim to revert back to the status quo are identified (Argyris & Schon, 1978).

Oak’s behavioural actions during both crises indicate pragmatism, as it focused on mechanisms and structural changes that resulted in relative stability of the services it provides, with little incremental change, which did not drive the organisation forward but rather maintained its equilibrium. Resilience in this case can be characterised as pragmatic and focussed on survival.

The main contextual factors within Oak relate to staff commitment and funder networks, which were cited as key aspects in its survival of both crises. There was an acknowledgement of the importance of professional expertise; however, there was also evidence of a rejection of applying more business orientated management within the organisation, which still prevailed at the end the COVID-19 pandemic, thus demonstrating single loop learning. As a result, Oak has demonstrated a pragmatic approach to crisis, little in the way of learning, and low adaptive capacity.

In contrast, Elm demonstrated what can be defined as a strategic resilience approach, which can be characterised as a forward-looking management practice that holds the capacity to transform threats or crises into opportunities that can then be used to the advantage of the organisation (DeLoach, 2021). Strategic resilience involves adapting processes and operational procedures to manage through the current crisis, while also looking beyond the current conditions (Coffero, 2020). This form of resilience requires continuous anticipation of difficult operating circumstances and the ability to adapt before the need for change occurs, and requires dynamic fluidity (Reeves et al., 2022).

Strategic resilience can be observed within Elm, where cognitive responses to both crises were strategic, pro-active, and focused on the longer term. Within Elm, there was a desire to do more than just survive, with ambitions for growth and a clear strategy in place to pursue this. Elm embraced a more professional approach to managing the charity, with the CEO drawing on the strategic expertise of the board chair, who was a business leader in a large oil firm. This was deemed crucial to driving the organisation forward, and in the development of resilience capabilities. As a result, behavioural actions led the organisation through both crises and towards sustained growth, with Elm's financial performance improving consistently over the period observed. Although there were points where income levels dropped, it can be noted that these were consistently above average from 2016/17 onwards (see Table 1). Strong contextual
resilience was also apparent within Elm. Respondents within Elm noted that there was deep social capital within the organisation. The level of staff commitment and drive to work together through challenging times was emphasised as one of Elm’s greatest assets. Its ability to access and draw on professional expertise and resource networks in the form of strong funder relationships was noted as an important resilience feature. Elm thus demonstrated a high level across all three capabilities during both crises, signalling high adaptive capacity and learning, both key aspects of strategic resilience (Teece et al., 1997).

A further attribute of strategic resilience is learning, in particular double-loop learning, which is a practical approach to the evaluation of problem situations that involves modifying the organisation’s processes, policies and objectives to find resolutions (Argyris & Schon, 1978). Learning from past experiences is critical to resilience development (McManus et al., 2007). Elm described itself as a learning organisation, with learning from its experiences of austerity and building on this during the pandemic being noted as a critical factor in its resilience. Indeed, there was evidence of double-loop learning being applied. During austerity, Elm set about working on a strategy that would reduce risk in relation to fundraising, but would also aid in the expansion and diversification of services. This put it in a strong position at the outset of the pandemic, allowing it to take advantage of the situation and identify how it could fill a service problem for the local authority. As a result of developments made during austerity, Elm had a broad repertoire of services and was able to tailor these to meet the needs of the local authority and gain an important contract during COVID-19. This, in addition to its broad fundraising strategy, meant that Elm was far less financially vulnerable than it had been at the start of austerity.

Elm was thus innovative and strategic in the face of uncertainty, and demonstrated high levels of adaptive capacity, a key aspect of strategic resilience (Teece et al., 1997). This can be observed from the way in which Elm reshaped its services during the pandemic, in order to continue providing support to its beneficiaries. In the case of Elm, resilience was characterised by more than just surviving, but ensuring that the organisation was in a stronger position than its pre-crisis state. Elm can therefore be characterised as a highly resilient organisation, thriving in the face of crisis.

Conclusions can be drawn from these approaches in terms of utilisation of internal capabilities and access to external expertise. The cases of Oak and Elm highlight the need for more strategic expertise in charities in order to aid resilience building capacity. Finally, it was evident from both cases that the creative adaptations made in response to austerity had contributed to these organisations’ ability to cope with the COVID-19 crisis. Both charities indicated that risk and coping with crisis was a fact of life in the charity sector. Looking ahead, they are already bracing themselves for the impact of the current cost-of-living crisis, and looking for ways to secure income that will ensure their ability to continue to support their beneficiaries and weather this next storm.

This study has presented a novel set of findings around charity resilience and adaptive capacity in the context of austerity and COVID-19, and has provided some insights into the processes, actions, and collaborations that facilitate resilience and adaptive capacity within the third sector context. Two approaches to resilience by charities are put forward: pragmatic resilience, and strategic resilience. As such, this paper makes a valuable contribution to the resilience and adaptive capacity literature. There are, however, limitations to this study. The focus was on two Scottish mid-size charities; our results, therefore, are not fully representative of resilience and adaptive capacity of charities across the sector, and as such are not generalisable. While
we provide some important and useful insights into how these two charities developed resilience through adaptive capacity, further investigations with an expanded data set in different contextual settings could add further insights. There is also scope for further research to investigate the barriers that constrain adaptative capacity. Such research would further aid our understanding of how the charity sector makes and achieves positive adaptations in crisis situations, and may facilitate new thinking and strategic approaches to crisis prevention controls.

References


