

Rethinking the Scarcity" Thinking" That Holds Back Nonprofits

06.26.18 | Linda J. Rosenthal, JD



"There are many things that hold the nonprofit sector back, not the least of which is a lack of money," wrote Neil Edgington back in 2015, adding: "But perhaps a bigger impediment is the scarcity thinking that may actually contribute to that lack of money."

Edgington is President of Social Velocity (www.socialvelocity.net), a management consulting firm helping nonprofits to "greater social impact and financial sustainability." Now, in 2018, he believes that overcoming this destructive mindset should be the goal of every nonprofit, even though the current political situation has caused legitimate and worry about continued funding for many organizations. He makes his case again, in March 2018, in Nonprofit Scarcity Will Get You Nowhere.

What is Scarcity Thinking?

Simply put, scarcity thinking is "the starvation cycle in which nonprofit leaders often exist – we can't attract enough money so we skimp on staff and systems, becoming less effective, forcing us to serve fewer clients, resulting in less social change."

Where does it come from? There are a variety of reasons, but funders... play a key role. Edgington links to an important article from 2009, The Nonprofit Starvation Cycle, in the prestigious Stanford Social Innovation Review.

Funders have "unrealistic expectations about how much running a nonprofit costs." As a result, nonprofits don't ask for enough to meet their needs for "decent infrastructure" and "can barely function as organizations – let alone serve their beneficiaries." Asking for, and spending too little, on overhead becomes the norm – a highly stressful and unsustainable one over the long term.

Social science research, though, demonstrates that successful organizations of all kinds are the ones with “robust infrastructure.” In this context, infrastructure means “sturdy information technology systems, financial systems, skills training, fundraising processes, and other essential overhead....”

The authors of this 2009 SSIR article – well worth reading in full, as are generally the case from this source – wrote that funders must take the lead in changing this “starvation culture” cycle. That is certainly true, but Edgington and other philanthropy thought leaders who have written recently about the need for changing the destructive “Overhead Myth” argue that much more is needed, including a serious change of mindset from organizational leaders themselves.

Breaking the Cycle of Negative Thinking

“Nonprofit leaders have been told for so long that they must scrape by, are not worthy of real investment, and deserve only the leftovers. No wonder the belief that resources are scarce is baked into their DNA.”

Neil Edgington’s perspective in his 2015 article as well as in the current one comes from psychological theory and studies that show that a key way to break the deficiency cycle is for nonprofit leaders (boards and staff) to adopt an “abundance mindset”: the idea that there are an “abundance of resources and you need only to get crystal clear about what you want to achieve and those resources will come to you....”

He bases his argument in large part on the work of Carol Sweck, Ph.D. In her 2006 book, Mindset: The New Psychology of Success, she argues that “scarcity thinking” is more than just a way of operating; it is a “destructive *fixed* mindset.” The prevalent belief in the nonprofit sector that resources will be scarce is a “profound psychological impediment.” If there is an organizational culture of “constant deficiency,” then the group will “never try for more.”

In both articles, Edgington asserts that “shifting this nonprofit mindset from never having enough (scarcity), to endless potential (abundance) could transform the sector.”

Examples of Mindset Changes

He asserts that a significant change can come about by “flipping some of the most common conversations happening each day in nonprofit boardrooms around the country, crossing out the typical scarcity mindset and fully embracing an abundance mindset.”

For example, change a typical scarcity discussion (i.e., “How much money are we able to raise?”) into an abundance exercise by asking “How much money will it take to accomplish our goals?” “The excitement you generate from board, staff, and funders when you think big and long-term will translate into the money you need to accomplish your future goals.” He describes this approach as “moving from a fundraising approach to a financing approach.”

As another example, he suggests flipping the scarcity discussion – “let’s not add fundraising staff until we have the money” – to “let’s fully invest in our fundraising infrastructure.”

Similarly, change the scarcity conversation – “we can only break even” – to “we will create a healthy reserve fund.”

Conclusion

Neil Edgington’s thoughts on this difficult and seemingly intractable problem in the nonprofit sector are provocative and intriguing.