



Video Transcript

ENTREPRENEURSHIP IN NONPROFITS

Resource dependency theory

[Georg von Schnurbein] Previously, we looked at path dependency theory and institutional isomorphism as theoretical foundations to analyze the influences of historical decisions and external effects. Now we focus specifically on the question of resources. Every organization relies on resources, and access to these resources is crucial for its survival. Resources can be understood as many things – material, money, infrastructure, or even people.

Usually, you need to connect to other organizations to access these resources. The resource dependency theory deals with the relationship between organizations and the resources they need to operate. One basic assumption of this theory is that organizations secure the access to important resources through risk-reducing strategies. That is, organizations survive if they are able to keep primary access to their most important resources.

Another basic assumption is that the relationships can be asymmetric. One organization might be dependent on another, but not vice versa. Managerial answers to these situations aim to reduce or to absorb dependencies. For nonprofits, and to some extent, for social enterprises, the access to resources is different from classic business. As nonprofits act in favor of people in need or for charitable causes, they usually cannot offer any direct return for the resources they need. This is especially true for donations and volunteering, to key resources of nonprofits. For this reason, nonprofits have developed risk reducing strategies. For example, a major donor of an organization is often invited to become a trustee. On the one hand, this is a sign of trust granted to the donor. On the other hand, you keep the direct contact to the funding source.

Governance structures are a major factor in organizing resource-dependent relationships. The board of trustees, other committees, or the membership structure, should be developed carefully and with respect to resource dependency arguments. Other options to lower risk are contracts, alliances, or cooperations. For instance, nonprofits join their forces against government through the foundation of an association that speaks for all with one voice. Joined fundraising activities or even joint operations can secure funds. The same applies to volunteering databases or volunteer days that can attract new volunteers in a city or region.

Another strategy to secure funds is through impact measurement. If you are able to provide evidence that your activities are worth funding, you will find easier access to donors. As you can see, the answer to resource dependencies is not a single action or operation, but the search for long-lasting structures that reduce uncertainty. Especially, answers will be found by focusing outside the single organization.

Understanding the external context, defining goals consistent with the environmental opportunities, and gaining or preserving certainty and autonomy through risk reducing strategies, enable organizational survival. In order to work with the resource dependency theory, you have to ask yourself, what are the major resources of your initiative, what is their value for you and for others, and who controls the resource?