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How Covid-19 is Transforming the NonProfit Landscape

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During the pandemic, the nonprofit sector went into overdrive to support existential needs in society. In turn, it is fostering cross-collaboration with the public and private sector to create a shared prosperity.

Globally, over the past two years, the nonprofit sector kicked into action, plugging gaps overlooked by the private and public sectors, particularly in the most vulnerable communities. It is making food available, improving health, providing housing, caring for mental well-being, distributing vaccines and creating jobs. Nonprofit organisations have operated in a heightened countercyclical fashion to the overall economy, with demand and funding for services rising in response to the dire economic downturn.

Challenging conditions manifest in different measures across different subsectors. Some nonprofits experienced dwindling revenue and fewer fundraising opportunities. Yet, others embraced growth. For example, the Ministry for Culture, Community and Youth reported that tax-deductible donations in Singapore dipped across all sectors in 2020, except for the social, welfare and community sector, which reported a significant increase of S$138.6 million.

Structural factors

The nonprofit sector is not homogeneous but highly diverse according to subsector, size and organisational life cycle. Apart from leadership, the impact felt by nonprofits largely lies in two structural factors, namely financial strength and programme focus.

- **Financial strength –** For nonprofits with strong operating reserves and unrestricted funds to support quick turnaround, they can adapt quickly to increase services, bring programmes to a virtual environment, and/or increase human capital and other resources. Those unexpected investments are only possible with well thought-out, sustainable funding practices.

- **Programme focus** – Universally, arts-based and sports/entertainment engagement organisations face the most significant challenges when funding dries up. In contrast, health-related and community organisations experience increased demand and revenue during times of crisis. In addition, nonprofits that focus on training and capability development encounter decreased revenue and have to quickly adapt to digitising their programmes.

The box, "NonProfit Transformation", highlights the interplay between different elements in shaping the development of the nonprofit landscape.

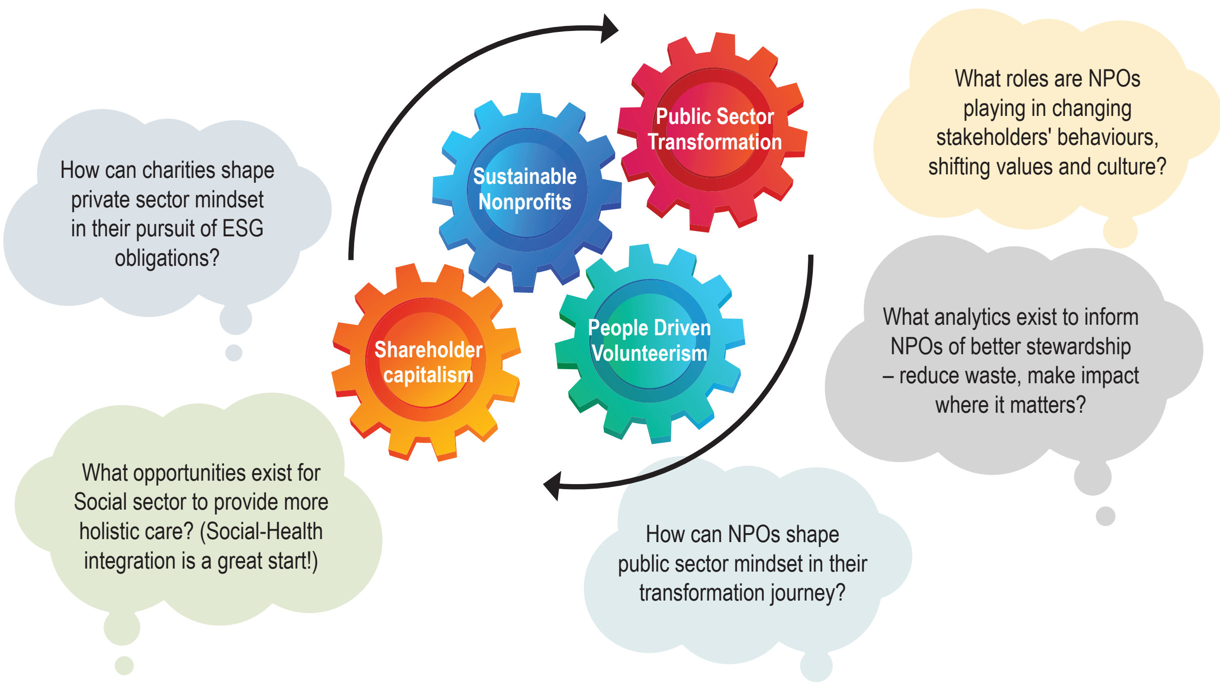
During the pandemic, the established registered charities in Singapore generally demonstrated high levels of resilience in both areas. Many adapted their operations to serve their customers and found new ways to raise funds through online platforms. This built public trust – especially important during s crisis – and donors rose to the occasion. Tax-deductible donations received in 2020 totalled S$1.01 billion, just slightly off pre-Covid levels of S$1.02 billion in 2019, according to the Ministry for Culture, Community and Youth.

Purpose vs profits

A silver lining awaits established nonprofits.

The discourse over the convergence of Purpose and Profit in the business sector has been fuelled by the pandemic. The perspective that a business must have reason to exist, beyond that of making money and maximising shareholder

NonProfit Transformation



value, is gaining ground. Research shows that over 80 per cent of millennials challenge the notion that the primary purpose of business is to make profit, rather than to create social value.

Increasingly, investors and shareholders demand integrated reporting addressing the needs of profits, customers, employees, environment, regulators and partners in the supply chain. This has compelled some of the world's largest corporations to act on environmental, social and governance matters, with regulators also implementing new guidelines. Customers now prefer products tied to a social cause.

In 2019, Larry Fink, CEO of BlackRock, the world's largest asset manager, urged the group's corporate customers to make a positive contribution to society beyond just financial performance. In his 2022 letter to CEOs, he reiterated that "putting your company's purpose at the foundation of your relationships with your stakeholders is critical to long-term success".

Public services in Singapore are also urged to provide services through a whole-of-government approach, with strategies and structure to be more aligned across ministries and statutory boards, and an agile workforce to respond to population needs. In 2018, a Public Sector (Governance) Act was approved in Parliament to enforce the same.

Collective impact and social value investing

The pertinent question is not whether corporate leaders should care about advancing society's goals, but how they can do so most effectively.

The nonprofit Foundation Strategy Group founded the collective impact model, where a group of actors from different sectors commit to collaborate in a structured way to a common agenda for solving a specific social problem.

Similarly, social value investing introduced by the *Harvard Business Review* advances the idea that solutions to complex challenges – such as inequality, climate change, affordable housing, corruption, healthcare, food insecurity – can be found through new partnerships bringing together leaders from public, private and philanthropic sectors.

Taken together, social value investing and collective impact are blueprints for aligning the interests and goals of partnering organisations across different sectors and demonstrating how collective purposing and customer orientation can benefit the efforts of governments, businesses and nonprofits.

These models present opportunities for nonprofits to find new partners for growth and advancement. When such partnerships are done well, they lead to more equitable and inclusive solutions where leaders can calculate the impact of their decisions on society over the long run. But success comes only with a huge commitment to achieving collective impact, which is seldom easy or seamless.

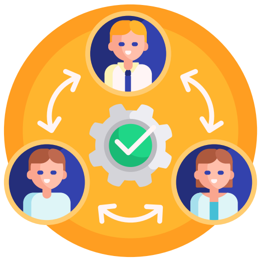
Though not a new concept in Singapore, the pandemic has given renewed impetus for organisations with a similar collective purpose to come together. The box, "Coming Together" gives case examples of real success stories in social investing.

Shared goals

Cross-sector partnerships are challenging work. Comprehensive planning and stakeholder

Coming Together

Three key critical success factors for social investing to happen, with example cases, are:



Clear definition of collective success and how to measure it.

Partners must identify and select collaborative programmes with comparatively high intrinsic value. Only when specific goals are clear, can capital and resources be allocated. In 2018, Community Foundation of Singapore rolled out the Youth Impact Collective which enables private and corporate funders to work closely with nonprofits to support disadvantaged youths through life skills development. A programme goal was to empower 230 youth to be work-ready over three years. An initial S$1 million was raised towards the goal.

Well-aligned value contributors.

Synergistic cross-sector partnerships are made up of diverse yet complementary organisations that commit to the creation of long-term social value. During the pandemic, the government-led Multi-Ministry Task Force fostered effective public-private partnerships with Veredus Labs, Duke-NUS Medical School and A-STAR to create and commercialise Covid-19 test kits. This is a great example of how a well-structured operating process can help partners draw on their comparative strengths, with the collective community benefiting tremendously.

A portfolio of financing to offset risk and provide scalability.

Partners can diversify risks by working with various funders, financial tools and investments. Social impact investing no longer uses cash alone, but taps on a wide range of financial instruments. Tri-Sector Associates innovated a Pay for Success model, where the government identifies a societal need, and private funders and service providers fund and execute the programmes, respectively. Upon completion, independent evaluators measure impact, and the government repays upfront funders, based on pre-agreed co-funding arrangements – if, and only if, impact is achieved. Tri-Sector Associates have achieved success in both Singapore and Hong Kong.

engagement are key. This can be complex, time intensive and needs dedicated funding and support. It also requires visionary leadership, a central administrative role, and operating transparency between partners. Trust, candour, communications and commitment are important team attributes.

But for those whose dreams are larger than their fears, perhaps they can take comfort in the words of Nobel laureate and economist Joseph Stiglitz, who, in his book *The Price of Inequality* asserts that if we choose to collaborate wisely across the sectors of our society, to grow the economy and move toward social equality, we are creating a shared prosperity. ■