2022
Strategic Report for Habitat for Humanity of DeKalb County

Prepared by MPA Graduate Students in Course PSPA 624
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in the NIU Department of Public Administration

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Executive Summary

In early 2022, Habitat for Humanity of DeKalb County (HFHDC) engaged a study team consisting of four graduate students pursuing a Master of Public Administration degree at Northern Illinois University to produce a Strategic Report. Team members worked closely with the organization to conduct its study, which was accomplished in three phases:

I. Gather information from and conduct interviews with HFHDC's board members and its executive director, visit a completed Habitat home and hear from its homeowner, observe an HFHDC monthly board meeting, and attend the groundbreaking ceremony for the organization's latest home construction project

II. Analyze, synthesize, and summarize themes, ideas, and findings to develop recommendations emanating from both the organization and best practices and identify possibilities for HFHDC's future plans

III. Combine the findings and scenarios into a Strategic Report for the organization to consider when developing near, mid-term and longer-term strategies and making decisions about HFHDC's service to and partnership with the community

The study began with a series of interviews and the review of documents both publicly available online and provided by HFHDC. The data-gathering and analytic phases of the study took place over a period of approximately eight weeks, and the feedback, input, and ideas from those familiar with the organization were highly beneficial. These data-capturing steps focused on identifying strengths and weaknesses as well as opportunities and challenges. The scope of the analysis included a review of interview data, notes, and relevant documents and examples. The study team explored recommendations with an eye on the future and the importance of furthering the mission that staff and board members held as their responsibility today and tomorrow: how to best serve the needs and interests of the community while expanding their network and partnerships and seeking new opportunities for funding and resources.

The Strategic Report consists of the following components: a Case for Support, a Financial Analysis, a Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis, a Mini Feasibility Study for Operating a Habitat ReStore in DeKalb County, and our Evaluation and Final Recommendations. Since HFHDC intends to engage in far more fundraising activities, we have provided a case for support that begins with a compelling narrative that is based on our visit with Dee, the HFHDC homeowner who welcomed us into her home and shared the positive impact made by the organization on her family. This section can be used to solicit donations as well as reach out to those in the community who may not be familiar with HFHDC and its mission.

Considering the primary and secondary data gathered, our study found that home ownership has become increasingly difficult for low-income individuals and people of color, hence the need for assistance from HFHDC. To assist the organization with its crucial decision making that will have an impact on the services it provides to disadvantaged individuals, we conducted a financial analysis to assess HFHDC's current state of affairs and make informed recommendations about the organization. HFHDC's financial health was evaluated using calculations and interpretations of the following ratios: average program expense, average administrative expense, average fundraising expense, average fundraising efficiency, working capital, liabilities to assets, fund balance, net income, and revenue mix. We reviewed federal Form 990s for fiscal years 2017 through 2020, ending on June 30th, and found that the organization is not in immediate financial distress and demonstrates some short-term growth capacity but overall is lacking long-term sustainability.

A SWOT analysis was conducted next to determine where HFHDC is now and how it can best get to where it wants to be. Strengths and weaknesses are internal to the organization, while opportunities and threats are rooted in external forces. The study established that the strengths of HFHDC are committed board members, national reputation, and assets. However, the organization lacks fundraising and resource planning, administrative infrastructure, as well as communication and collaboration capabilities. Four viable opportunities were identified that involve (1) seeking readily available resources from the surrounding community and region; (2) considering a partnership with another organization; (3) pursuing retail revenue in the form of a ReStore venture, and (4) selling HFHDC's mortgages to decrease risk and ensure a more reliable revenue stream. The threats that HFHDC may face include the potential of a merger with Habitat for Humanity of McHenry County resulting in underinvestment or dissolution, unforeseen negative impacts due to national and global economic developments, competition with other nonprofits in the area, and the ongoing COVID-19 pandemic.

The mini feasibility study is specifically intended for HFHDC's consideration of opening and operating a Habitat ReStore that would serve DeKalb County. It includes an examination of the national and local markets that would impact this endeavor, an analysis of the resources needed, and an organizational values analysis. There is potential local competition in the form of home goods stores and resale venues, and HFHDC would be establishing the store in a county that is situated within an hour of nearly a dozen Habitat ReStores in the Northern Illinois region. Our organizational values analysis revealed that while some board members and staff support the establishment of a ReStore because it aligns with the mission of HFHDC and would generate much needed revenue, the endeavor would require more human and financial capital than is available to the organization presently.

Further evaluation of HFHDC's strengths, weaknesses, opportunities, and threats resulted in the formation of a strategy for the organization to consider in the context of four key categories that will impact its decision making: invest, decide, defend, and damage control. By pairing together the elements from our SWOT analysis with the overall findings from this study, we laid the foundation for our final recommendations: (1) HFHDC should invest in capacity building for its board members and staff, specifically by utilizing the resources available from Habitat for Humanity International; (2) it should hire a full-time Executive Director and further expand its administrative infrastructure when feasible; and (3) the organization should either merge with Habitat for Humanity McHenry Chapter or selectively sell its assets to pave the road for long-term financial stability.

Part I: Case for Support

It was just Dee and her boys, but she was working hard to save up enough to buy a house. Her older son had special needs, so Dee worried the most about what would happen when she was not around to support him. Without a credit history, she wasn't eligible for a mortgage, not until she reached out to Habitat for Humanity of DeKalb County. Dee had heard of how they helped others in her boat, so she applied, and her family was chosen. Then the pandemic hit, but Habitat didn't let that stop them: Dee's dream of moving into her new home – the home that her family and friends helped to make a reality through hard work and prayers and many generous souls – became a reality on New Year's Eve in 2021. Since then, Dee has been a beacon of hope for others, inviting them into her home to see what Habitat helped her achieve, and she is now helping others make their dreams a reality.

Habitat for Humanity of DeKalb County (HFHDC) helps struggling families afford their own homes through its long-time partnership with local businesses and residents. Individuals who qualify to be a HFHDC homeowner contribute sweat equity to the building of the house they will eventually purchase, and the affordable mortgages offered by HFHDC allow low-income families to invest in their future (HFHDC, 2022). Working side by side with volunteers and HFHDC staff and contributors, a qualifying applicant invests hundreds of hours of labor to make their dream become reality over the course of a year (ibid). HFHDC provides individuals with the resources to be strong, powerful leaders in their communities. The mission is one that resonates with so many: “Seeking to put God’s love into action, Habitat for Humanity brings people together to build homes, communities, and hope” (ibid). HFHDC offers individuals an opportunity to become proud homeowners, something that is still out of reach for so many in the U.S.

Many Americans are currently experiencing significant problems finding affordable housing in the current market and have been for years. With the current COVID-19 pandemic still ongoing and uncertainty in the economy, the need for affordable housing has never been greater with housing insecurity affecting nearly half of US adults in their lifetime (HFH, 2020). Currently, 49% of Americans believe that the availability of affordable housing in their community is a major problem (Schaeffer, 2022). In 2019, 37.1 million households in the United States were considered cost-burdened, meaning that they spent more than

30% of their income on housing with 71% of low-income renters experiencing extreme cost burden, meaning they spent over 50% of their income on housing (National Low-Income Housing Coalition, 2021). While homeownership rates have increased among those making over $150k annually, for low-income families, homeownership rates have decreased since 2010. (Harvard University, 2021). There are also growing disparities in homeownership along racial lines, with white household homeownership being upwards of 73% in 2019 and black household homeownership at around 42% in 2019 (HFH, 2020). In addition to the increase in housing prices, average mortgage rates are also on the rise in many areas of the United States, negatively affecting first-time homebuyers (Lane, 2022).

In DeKalb County alone, nearly one third of households are considered cost-burdened (Federal Reserve Bank of St. Louis, 2021). From 2016-2020, the median household income in DeKalb County was below the national average of $64,994 (U.S. Census, 2021). In the state of Illinois, the price of homes has gone up 14.1% from February 2021 to March 2022 (Zillow, 2022). Moreover, almost 17,000 youth aged 5-17 in DeKalb County found themselves living in poverty in 2020 (Federal Reserve Bank of St. Louis, 2021). According to the Substance Abuse and Mental Health Services Administration, children who experience housing instability have higher levels of emotional and behavioral health problems (SAMHSA, 2022). Taken together, these statistics indicate that home ownership is becoming increasingly difficult for low-income individuals and people of color, resulting in poor outcomes for children and families in DeKalb County. The services provided by HFHDC are critical in addressing these needs and creating lasting impacts.

Founded in 1976, Habitat for Humanity International now works in all 50 U.S. states and in more than 70 countries worldwide (HFH, 2022). More than 39 million people have been helped by the organization since its inception (HFH, 2022). HFH homeowners across the country have attested to the competence and goodwill of the various organizations spread throughout the United States. Cooper, a woman who escaped domestic violence while pregnant, said, "This is what I wanted for my precious Carly" (HFH Annual Report, 2011). Ingrid, a Habitat for Humanity of Rockland County homeowner whose son suffers from asthma, said, "Our home protects us. It makes us strong. Habitat for Humanity of DeKalb County has had an incredible impact on the local community. The chapter has built 16 houses since its inception in 1996, and in the last year alone, logged over 1500 hours of volunteer labor (HFHDC, 2022). In 2022, the DeKalb County chapter will partner with the Ramey family to assist in the construction of their first home, thereby alleviating their struggle to find a decent, affordable home for their family (HFHDC, 2022). Currently, there are no other organizations in DeKalb County that offer comparable services like HFHDC.

To continue the good work discussed above and to alleviate the ills of unaffordable housing that has plagued the US, particularly in DeKalb, HFHDC needs support now more than ever due to high construction costs, an uncertain economy, and the ongoing COVID-19 pandemic (Smialek, 2022). The strength of HFHDC is derived from its partners, supporters, and volunteers who contribute their time and talents because they share resources, time, and effort. By volunteering or donating to HFHDC, you are not merely improving statistics or donating to a charity; you are removing impediments, empowering families, and changing their course for generations. HFHDC works to ensure that families have decent housing, and the results can be felt across entire communities. It takes a growing community to develop the best neighborhoods. Individuals who give to the cause touch the lives of real people who are striving for strength, stability, and self-reliance (HFHI, 2022). Without your help, our ability to serve local families would not be possible.

There are several ways for you to contribute your time and talents such joining our board, helping to build homes, or making a financial contribution. We strive to use every dollar donated to our organization to help families in DeKalb own an affordable house. Building a resilient community has always been a challenge. The tremendous support from residents and the volunteer community has made many significant impacts in DeKalb County. By supporting HFHDC you can bring joy to local families and help contribute to the national shortage of affordable housing. More families in our community, like Dee, need our support. By providing affordable housing to those in need, we can help reduce childhood poverty, allow more economic mobility for individuals, and increase economic growth (National Low Income Housing Coalition, 2022). Join us today.

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Part II: Financial Analysis

Executive Summary

The financial health and fundraising effectiveness of Habitat for Humanity of DeKalb County (HFHDC) has been assessed in the following report utilizing calculations and interpretations of the following ratios after reviewing federal Form 990s for fiscal years 2017 through 2020, ending annually on June 30th: average program expense, average administrative expense, average fundraising expense, average fundraising efficiency, working capital, liabilities to assets, return on total assets, return on net assets, fund balance, net income, and revenue mix (Charity Navigator 2021). In our conclusion, we outline the overall financial health of the organization and whether the organization is in immediate financial distress, has short-term capacity to take risks, or has long-term sustainability. Our findings reveal that the organization is in no immediate financial distress and that they do have some short-term capacity to grow, but their long-term sustainability is currently lacking.

Average Program Expense Ratio

A company's program expense percentage is the proportion of funds spent directly on programs in line with the organization's mission (Garven et al, 2016). This is calculated by dividing the average program expenses by the total expenses. A nonprofit in good standing records 60% or more (ibid). Some of the program service expenditures reported on HFHDC form 990s are grants and other assistance to domestic organizations, domestic governance, advertising, promotion, and office expenses (Form 990, FY2020). HFHDC makes significant investments in its programs, and the average cost of its programs computed over a four-year period equates to 68%, which falls within the accepted benchmark of 65% or more for nonprofits (Garven et al, 2016). HFHDC's program expense percentage has shown steady improvement, from 47.78% in 2017 to 83.15% in 2020, not including a slight dip in 2019 to 61.12% after achieving 63.59% in FY 2018. However, the recent upward trend is indicative of being among the 70% of nonprofit organizations (NPOs) evaluated by Charity Navigator that are devoting at least 75% of their expenditures to programs and services (ibid). Those who commit 85% or more are regarded as excellent, while those that commit less than 50% are deemed to be ineffective at accomplishing their missions.

Figure 1: Average Program Expense Percentage

Fiscal Year (FY)	Total Expenses	Program Service Expenses	Program Expense %
2020	$159,616	$132,718	83.15%
2019	$81,308	$49,693	61.12%
2018	$119,667	$76,093	63.59%
2017	$66,633	$31,840	47.78%
Four-Year Average	$72,586	$106,806	68%

Average Administrative Expense Ratio

The administrative expense ratio is the amount spent on management and overhead by the organization (Ecer et al, 2016). The ratio is calculated by dividing the administrative expenses by the total expenditures (ibid). Non-profit management is deemed to be more efficient when administrative expenses are lower (ibid). This means that non-profit organizations should utilize their resources and funds efficiently to retain and operate resourceful personnel (Worth, 2020). Best practices for non-profit organizations indicate that they should spend the appropriate amount on overhead proportionally to their total functional costs (Worth, 2020). A Non-Profit Organization in good standing records 15-20% or less, based on accepted standards (Charity Navigator, 2021). HFHDC recorded 16.85% in FY2020, which means that in the year 2020, the organization efficiently spent on overhead in proportion to its total expenses.

Again, best practice standards and Charity Navigator deem annual rates of 38.88%, 36.41%, and 52.22% in FY2019, 2018, and 2017 respectively to be poor, resulting in a score of 0 for these years. HFHDC is doing poorly with respect to its administrative expense percentage since the average ratio is more than thirty percent. The organization would be given score of zero by Charity Navigator standards for their four-year average, but HFHDC reduced their average by nearly half in 2020 (Charity Navigator, 2021).

Figure 2: Average Administrative Expense Percentage

Fiscal Year (FY)	Total Expenses	Avg. Administrative Expenses	Administrative Expense %
2020	$159,616	$26,898	17%
2019	$81,308	$31,615	39%
2018	$119,667	$43,574	36%
2017	$66,633	$34,793	52%
Four-Year Average	$72,586	$34,220	32%

The citizens and elected officials of the Village recognize the importance of strategic planning for the present and future operations and direction of the community. In February 2017, the current strategic plan was originally adopted. Since then, it has been reviewed on a regular basis, most recently being updated in August 2021. Also, the Village is developing an up-to-date geographic information system (GIS) to assist with infrastructure maintenance and to enhance public awareness of services and activities.

Average Fundraising Expense Ratio

A fundraising expense is the proportion of funds spent directly on fundraising activities. Charity Navigator defines it as the proportion of funds spent directly on fundraising efforts (Charity Navigator, 2021). This is calculated by dividing the fundraising expenses by the total expenses. According to Form 990s from 2017–2020, HFHDC does not make any investments in fundraising, thus their average fundraising expense ratio is 0%. Interviews with some board members affirmed that the organization is not focused on generating revenues through fundraising (HFHDC, 2022). Using ratios to evaluate charities is predicated on the assumption that, all things being equal, the donor would prefer that as much of his or her donation as possible be allocated to program spending rather than being "diverted" to administrative or fundraising spending (Tinkelman, 2006). This assumption is confirmed by Weisbrod and Dominguez when they reiterate that a donor would prefer to give to an organization with a low fundraising ratio (Weisbrod and Dominguez, 1986). Fundraising is a common best practice of NPOs, thus HFHDC may wish to conduct a fundraising audit to collect as much information as possible on the fundraising function and its environment, as well as to anticipate future changes and evolve over the length of the plan that is formulated (Sargeant and Shang 2017). The fundraising audit begins with the creation of a fundraising strategy that reaffirms HFHDC’s objective and vision and encourages fundraisers, sponsors, and donors to become involved (ibid). The fundraising audit will allow the organization to see where they are now, visualize where they want to go, and determine how to get there (ibid). Fundraising creates awareness and enthusiasm for the organization's projects, activities, and mission (ibid). It also enables the organization to build financial sustainability and the opportunity to interact personally with donors (ibid). These funds could be utilized for administrative and programmatic purposes and would allow HFHDC to recruit and retain nonprofit experts.

Figure 3: Average Fundraising Expense Percentage

Fiscal Year (FY)	Total Expenses	Avg. Fundraising Expenses	Fundraising Expense %
2020	$159,616	$0	0%
2019	$81,308	$0	0%
2018	$119,667	$0	0%
2017	$66,633	$0	0%
Four-Year Average	$72,586	$0	0%

Average Fundraising Efficiency Ratio

The fundraising ratio (FR) measures the efficiency with which a nonprofit organization raises revenue (Ecer et al, 2016). HFHDC has had a 0% average fundraising efficiency ratio since 2016 because they have no reported spending on fundraising activities in their 990 forms. As mentioned in the previous section, this calculation that is based on the percent of total functional expenses spent on fundraising could increase without a negative impact on stakeholder views if presented as part of a larger strategy to generate more revenue and do more programmatically.

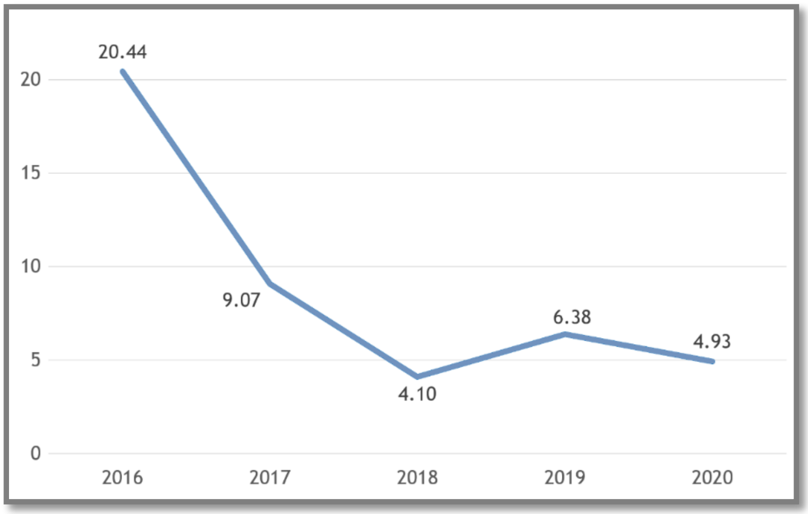
Working Capital Ratio

The Charity Navigator defines working capital as "how long (in years) a charity could sustain its level of spending using only its net available assets," and the data presented by the Form 990s indicates that HFHDC's working capital ratio has dropped significantly since 2016 (Charity Navigator 2021). The working capital ratio is important to the financial position of organizations of all sizes. Calculate this ratio by dividing net working capital by net assets. The sum of net fixed assets, current assets, the value of capital works in progress, and investments is known as net assets. A high net working capital ratio is a negative indicator (MADHAVIA, 2014). The following formula is used to calculate working capital ratio (Charity Navigator 2021).

$$\text{Working Capital Ratio} = \text{Working Capital} \div \text{Average Total Expenses}$$

The organization had its highest working capital ratio at 20.44 in 2016, and the ration was dramatically reduced to 4.93 in 2020. Charity Navigator corroborates this standard, stating that a good working capital ratio is over 1.0, thus HFHDC appears to be doing well in this area (Charity Navigator 2021). Since HFHDC has $ 787,072 in 2020 fund balance (Sceggel,2021), it is suggested that portions of both future donations from fundraising efforts and any savings held by HFHDC be allocated to a designated fund to ensure that unknown financial demands can be met. Donors could also be encouraged to give directly to this fund in a separate campaign to promote sustaining the mission regardless of unforeseen challenges (Charity Navigator, 2021).

Figure 4: Working Capital Ratio (FY 2016-20)



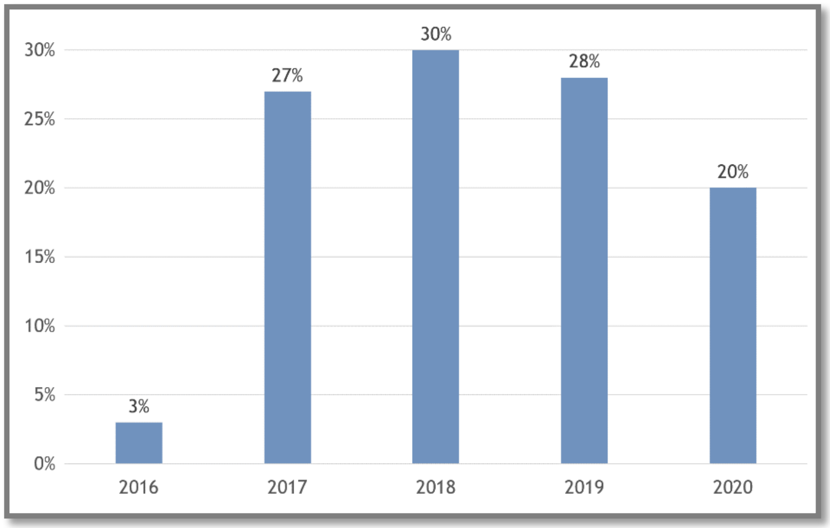
Liabilities to Assets Ratio

This ratio is an indicator of an organization's long-term sustainability. It can show potential problems within an organization and how well charities manage this balance compared to organizations in the same discipline. This indicator helps donors understand whether donations are being used to fulfill other obligations instead of performing charitable activities (Charity Navigator, 2021). Organizations with a high level of liabilities to assets have been found to be connected with decreased donations (Calabrese and Grizzle, 2012, as cited in Mitchell and Calabrese, 2019). Thus, it is important to monitor this area both for long-term sustainability and to persuade potential donors. This ratio can be determined using the following formula (Charity Navigator, 2021).

$$\text{Liabilities to Assets Ratio} = \text{Total Liabilities} \div \text{Total Assets}$$

Since 2016, HFHDC's liabilities to assets ratio has been dramatically improving, with its most current ratio sitting around 20%. This metric measures total liabilities divided by total assets, and a ratio of zero to five percent results in a score of 10, the highest possible according to Charity Navigator's rating system; HFHDC would likely earn a score of 7.5 out of 10 because of their ratio being in the range of fifteen to forty percent (Charity Navigator 2021). HFHDC's executive director, Roy Smith, indicated that the majority of current liabilities are from the mortgage on the office space they utilize. Thus, it indicates that the organization is faring well regarding debt, but this is an area worth continued monitoring (Smith 2022). According to Charity Navigator (2021), nonprofits such as HFHDC need to maintain a ratio between 0% and 15% to earn their highest rating.

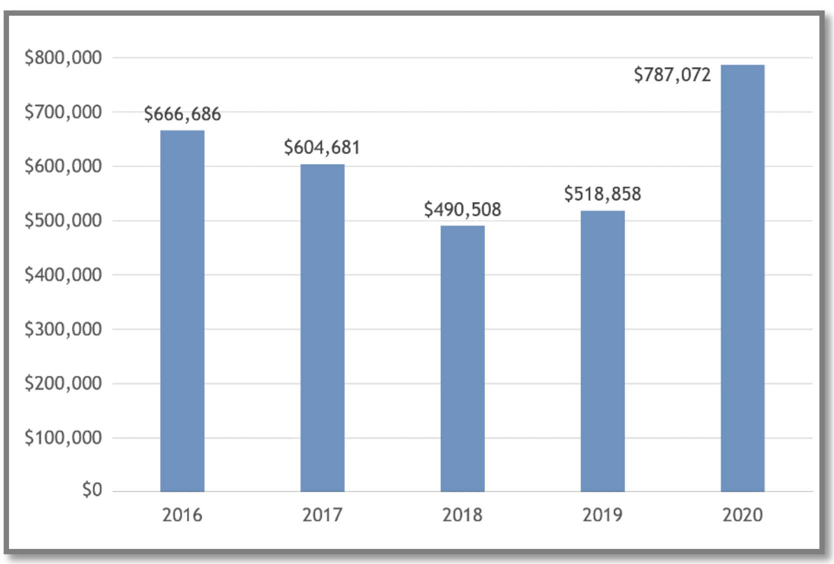
Figure 5: Liabilities to Assets Ratio (FY 2016-20)



Fund Balance

HFHDC's fund balance significantly increased in FY2020, by over fifty percent since FY2019, and is trending higher than it has in the previous four fiscal years. This is indicative of sufficient equity to satisfy outstanding liabilities and unforeseen negative impacts in the near future, which casts a positive light on efforts the organization may undertake to increase revenue via fundraising and a possible ReStore venture.

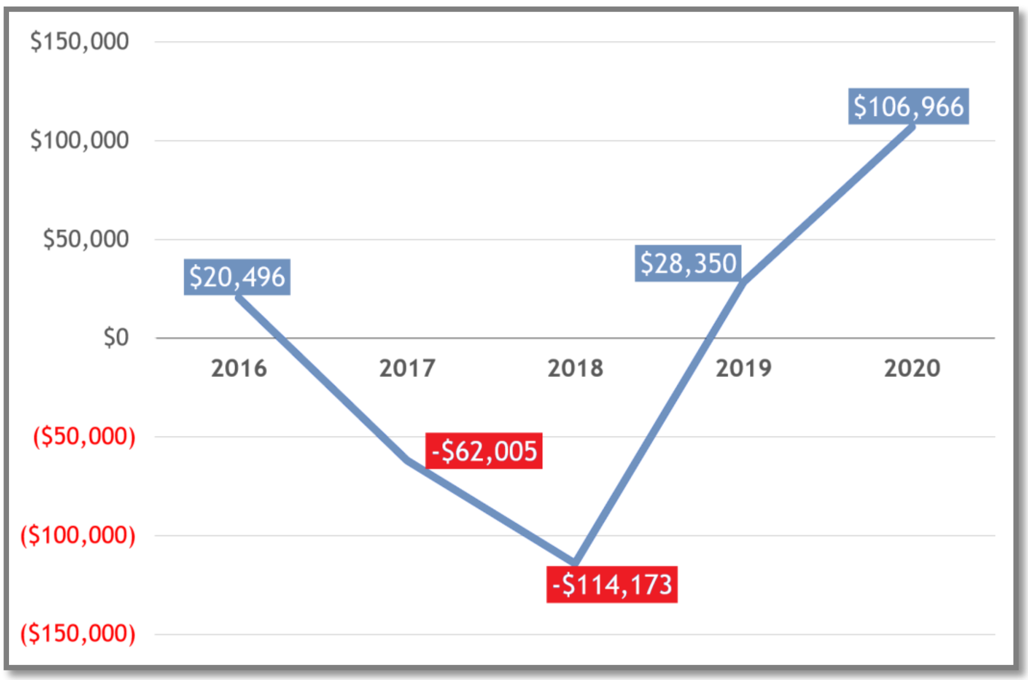
Figure 6: Fund Balance (FY 2016-20)



Net Income

The net income of a company is defined as the total amount of revenue a company brings in during a given year minus all of its expenses (Lockert, 2021). This is an important financial tool to measure the health of an organization because simply looking at gross revenue would not paint a completely accurate picture (ibid, 2021). HFHDC's net income has fluctuated significantly over the past four years at HFHDC, with negative net incomes in fiscal years 2017 and 2018: $ -62,005 and $ -114,173, respectively. The organization was able to overcome these challenging years because of their high fund balance mentioned above. HFHDC's current executive director, Roy Smith, surmised that these low net incomes were a result of a previous executive director's misuse of funds and lack of experience with running an NPO (Smith 2022). Since 2018, HFHDC has been trending in the right direction, with a net income of $28,350 in FY2019 and $106,966 in FY2020. This is due to HFHDC's new leadership as well as the Board's ability to generate more revenue for the organization. While the four-year average for net income remains in the negatives at $ -10,216, this should not discount the strides that have been accomplished.

Figure 7: Net Income (FY 2016-20)

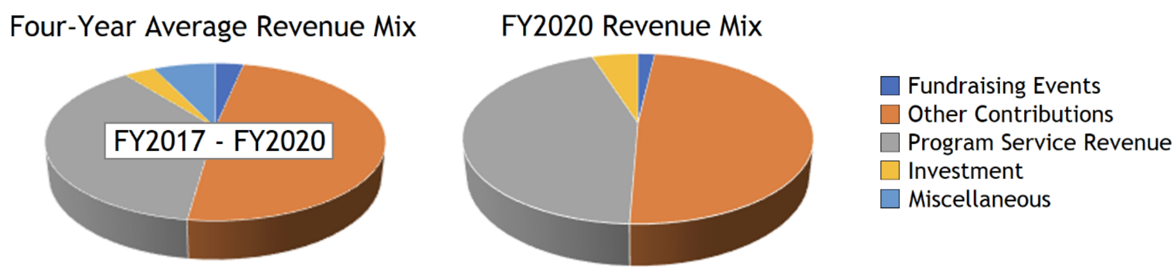


Revenue Mix

A nonprofit revenue mix is simply the amount of funding streams an organization has, with some organizations relying on mainly one with others utilizing multiple streams (Hager and Hung, 2020). This is important to consider because depending on the size of a certain organization or volatility in its revenue streams, this could have a massive impact on the overall operations of an organization (ibid). There was little revenue in fiscal years 2017 and 2018, which is reflected in the above net income figures: HFHDC's two-year total of $10,082 during that two-year period is due to the prior executive director's mismanagement and the organization only showing investment income and various other contributions as its two sources of revenue at that time. In FY2019, the mix was expanded and began to grow substantially, with total annual revenue topping at $109,658 between five categories: fundraising events, other contributions, program service revenues, investment income, and miscellaneous other income. Most of the revenue during that year came from other contributions ($52,552) and program service revenues ($28,564), the former consisting of grants and donations from individuals and churches and the latter comprised of mortgage payments for homes (Smith, 2022). Revenues again increased in FY2020 and HFHDC ended the year with a total of $266,582, more than doubling their revenues during the prior two-year period: other contributions ($130,042) made up almost half of the four-year average, while the other half was split between program service revenues ($118,129), fundraising events, investment income, and miscellaneous other income.

As the following table illustrates, HFHDC has greatly expanded their revenue mix under the leadership of Mr. Smith and currently possesses a diverse portfolio. However, small organizations may struggle to manage a diverse income portfolio, especially when they do not have the capacity (Young and Soh, 2016). Others argue that diverse funding streams are beneficial to organizations as they decrease uncertainty and cash flow issues when a nonprofit experiences shocks to a particular revenue stream (Tschirhart and Bielefeld, 2012). In addition, while the organization possesses a diverse portfolio, these revenue streams are extremely volatile and fluctuate from year to year. Unstable revenue streams can cause many concerns for a nonprofit organization, such as service provision disruptions and difficulties with financial planning and the budgeting process (Denison, Yan, and Butler, 2019).

Figure 8: Revenue Mix



Fiscal Year (FY)	Fundraising Events	Other Contributions	Program Service Revenue	Investment	Misc.
2020	$4,931	$130,042	$118,129	$13,480	$0
2019	$7,733	$52,552	$28,564	$55	$20,754
2018	$0	$5,446	$0	$48	$0
2017	$0	$4,448	$0	$140	$0
4-Year Average	$3,166	$48,122	$36,673	$3,431	$6,918

Conclusion

In order to assess the overall financial health of a nonprofit organization, experts look to the immediate term to see if the organization is in financial distress, the short-term to measure the organization's capacity, and the long-term to measure an organization's growth potential (Bowman, 2011). In the immediate term, the questions that need to be asked are: Can the organization manage sufficient cash flow, and can the organization pay its bills on time? (ibid, 2011). In order to determine if an organization is in immediate financial distress and at risk of bankruptcy, ratios such net income, fund balance, and liabilities to assets ratio are typically used (ibid, 2011). As mentioned previously in the report, HFHDC's net income was $106,966 in 2020 and their fund balance has steadily improved since 2017 and was $787,082 in 2020. Habitat's debt to assets ratio was 20% in 2020 and has been declining since 2017. Although Habitat's debt is not a major cause for concern, Charity Navigator would still give them a 7.5/10 because they are over 15% (Charity Navigator, 2021). However, the organization does not appear to be in any immediate financial distress based on these three metrics and does not appear to be at risk of bankruptcy or going under in the immediate term.

With regards to short-term capacity, the main questions that are asked are: can the organization manage risk and withstand economic shock? (Bowman, 2011). Ratios such as working capital, liabilities to assets, and revenue mix are all considered in this dimension (Bowman, 2011). In this dimension, flexibility is measured, and an organization can engage in riskier activities if it is shown to have enough capacity (Myser, 2016). Based on our financial calculations, HFHDC is doing well with regards to their working capital ratio at 4.93, although it is slightly declining. As mentioned in the previous paragraph, debt is something to monitor but it does not appear to be a major problem yet since it is only slightly over the recommended amount for a Housing nonprofit (Charity Navigator, 2021). One cause for concern could be HFHDC's revenue mix. As mentioned previously, unstable revenue mixes and volatility in funding can have significant impacts on an organization's ability to survive and grow (Denison, Yan and Butler, 2019). Financial flexibility is seen at an organizational level when the organization has the ability to respond to threats and opportunities coming from outside the organization (Hager, 2001). Based on this assumption, HFHDC can currently respond to shocks due to a high working capital ratio and little debt, but the volatility in revenue streams could impact that ability negatively and their ability to take financial risks. However, the organization may be primed to take small short-term risks.

As far as long-term financial sustainability is concerned, the organization is currently not at that stage. The main questions that are asked with regards to long-term financial sustainability are: Can we grow the organization, expand services, and have long-term survival? (Bowman, 2011). Long-term sustainability is also focused on if an organization is in a position to provide more or better services (Myser, 2016). With a lack of stability in revenue streams, this is not the case as of right now and the organization is not in a position to offer more or better services with a lack of funding stability. The lack of a fundraising plan and administrative infrastructure (expanded upon in the SWOT section) also does not allow for the organization to be in a state of long-term financial sustainability. In conclusion, HFHDC is not in any immediate financial distress, they have the ability to withstand some shocks in the short-term and take small risks, but they cannot at this time expand services and survive long-term without making significant adjustments.

Part III: SWOT Analysis

An Introduction to SWOT Analysis

A Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis helps an organization identify Strengths and Weaknesses (current, internal conditions) and Opportunities and Threats (future, external considerations). This type of analysis can assist HFHDC with focusing on the areas where its optimal strengths and opportunities lie.

Conducting a SWOT analysis involves these four categories being used to audit an organization as well as its environment (Doyle and Stern 2006). Listing items in the four areas and analyzing them can help with the achievement of short-term and long-term goals and assist with determining where an organization stands now and how it will achieve where it aims to be (ibid). Such analysis is critical for a nonprofit organization to strategize and identify new opportunities for improvement.

To identify these areas, our study team conducted one-on-one interviews of board members and staff over the last few weeks. Here are some of the questions that were asked:

Strengths:
- What are HFHDC's best qualities?
- How does the community view HFHDC at present?
- What are some of the advantages of new strategies being pursued currently?

Weaknesses:
- What are areas for improvement for HFHDC?
- What kinds of approaches or attitudes may be best to avoid?
- What are some limitations of projects being considered by HFHDC?

Opportunities:
- What are some activities other HFHs are doing that have proved beneficial?
- How are external trends impacting other similar organizations?
- What kinds of opportunities are presented by ventures on the horizon?

Threats:
- What could prove to be challenging down the road for HFHDC?
- What future conditions locally and nationally might negatively affect the organization?
- What are the obstacles that would prevent upcoming endeavors from being successful?

Strengths

To begin, we will discuss the strengths of HFHDC. Strengths are the positive characteristics and advantages that an organization, situation, or issue possesses on an internal level (Hay et al, 2006). Charlie Ioannou defines strengths more precisely as "the resources and capabilities that can be used to create a competitive advantage"

(2012, p. 47-49). The following paragraphs discuss three critical strengths of HFHDC: committed board members, national reputation, and assets.

First, from our interviews with the board and staff of HFHDC, we found that the organization has very dedicated board members who are passionate about the mission of the organization. The mission of an organization fuels psychological energy, motivates and inspires people to donate their time, money, and energy (Phills, 2005). The board of directors of HFHDC work together to achieve the mission of the chapter. Bruce Hopkins (2003) characterized members of a non-profit organization's governing board as fiduciaries of the organization's resources and guides of its mission (Worth, 2020). Among nonprofit best practices, it is essential that the board of directors believe in and work towards attaining the mission because success starts with the mission (Worth, 2020). According to mainstream marketing and strategic management literature, organizational missions are an effective tool for delivering superior value to customers and other stakeholders while also enhancing organizational performance (Mecado et al., 2020). Interviews with board and staff revealed that previous mismanagement caused the organization to struggle in years past, but the board remained committed, and they kept pushing and steering the organization forward with the help of their new executive director who has helped the organization to financially recover.

Second, our interviews and conversations with board members and staff revealed that one of the organization's strengths is its national reputation with the Habitat name. The number of nonprofit organizations in the United States has grown rapidly over the last three decades. This has increased competition for the limited funds and resources available to non-profit organizations (NPOs) from individual donors, the government, corporations, and foundations (Clark and Mount, 2000; Gwin, 2000; Katz, 2005; Peloza and Hassay, 2007). The influx of NPOs has resulted in a greater need for non-profit organizations to be well-known in the community. At each stage of an organization's strategy and at each juncture of its theory of change, a strong brand is increasingly recognized as critical for aiding in the development of operational capacity, galvanizing support, and maintaining focus on the social mission (Kylander et al, 2012). Habitat for Humanity is one of the most well-known brands in the world, with a higher public trust rating than many other nonprofits (Kylander et al., 2012). Forbes also recently rated Habitat for Humanity International as #6 in their top 100 charities of 2021, meaning that the Habitat brand is popular among external rating sources (Barrett, 2021). An organization's brand and reputation can also be used as a foundation for its "case for support," which can aid in securing grants and donations. Additionally, brand and reputation serve as a foundation for marketing and fundraising. Discussions with the board and staff revealed that current board members have some excellent fundraising ideas. Fundraising enables organizations to engage their supporters in their mission (Nathan et al., 2016). Fundraising is a critical management process because it ensures that the organization has the resources necessary to carry out its programs, services, and mission (Nathan et al., 2016). The brand and reputation of the organization provide a solid foundation for fundraising.

Lastly, HFHDC possesses significant physical assets, as revealed through interviews with board members and staff. The organization owns a building in DeKalb, that currently houses numerous vacant office spaces. Board and staff members mentioned that these buildings can be sold or rented to other businesses if HFHDC's cash flow needs to be augmented. The amount of cash that a nonprofit should hold as a buffer against future uncertainty is one of the most critical financial decisions it can make (Ramirez, 2011). If it lacks sufficient funds, it risks extinction or may become incapable of serving its constituency (ibid). Interviews with staff and board members revealed that in 2020, the organization sold one of its buildings to survive the dip caused by mismanagement. HFHDC currently owns two vacant lots. These lots can be used for future house builds, or these can be sold if additional funds are required. It is critical for organizations to have sufficient liquidity to ensure quick access to funds during difficult times, and HFHDC has assets they would be able to sell to if faced with an unforeseen crisis (Bland, 2019). Again, the financial analysis conducted for HFHDC established that the organization is well-positioned to take administrative growth-related risks. HFHDC is not in immediate distress because of its current assets

Weaknesses

A critical component of SWOT analysis is an examination of the organization's weaknesses. Our interviews with the executive director and board members revealed three overall internal weaknesses: (1) fundraising and resources planning, (2) administrative infrastructure, and (3) communication and collaboration.

Without proper funding and resource planning, an organization will face significant challenges in terms of sustainability. In our interviews, some board members indicated that the organization is looking for more funding sources because they only have a few sources to rely upon. According to the organization’s 990, HFHDC has generated its primary revenue of $ 253,102 from program service and contribution; meanwhile, fundraising and investment income produced $13,480 in 2020. If any of the current funding streams become obsolete, this could leave the organization in a vulnerable position. Nonprofits that draw money from multiple sources are often less vulnerable to financial shocks (Greenlee and Trussel, 2000). Interview results indicate that due to the current financial position of the organization in combination with a lack of planning around fundraising, the organization is unable to expand the organizations impact beyond building one house a year, and it is unable to hire full-time staff. HFHDC reported no fundraising activity in 2020. In addition, interview results indicate that the organization is currently operating without a formal fundraising plan that has been developed in tandem by the executive director and board of directors. The development of a fundraising plan, as well as a culture of financial leadership, is essential because these areas are the basic foundation that will bring the financial sustainability of nonprofit organizations (Hodge and Piccolo, 2005).

Equally important, administrative infrastructure is an area that nonprofit organizations should focus on in order to improve their performance. Our discussions with board members indicate that the current Executive Director position is part-time. Despite the part-time status, this position currently oversees most of the organization’s operations. Since the current Executive Director is preparing to leave the organization, the conversations with board members indicated that they are exploring hiring a full-time

Executive Director. However, it is still unclear how the organization would finance a full-time position. Mitchell and Calabrese (2019) note a lack of administrative capacity reduces organizational effectiveness and negatively impacts fundraising. While the passionate board could be an administrative asset to the organization, currently they receive no onboarding or training in order to effectively perform their legal duties. There are three primary legal duties for a nonprofit Board known as the "duty of care," "duty of loyalty," and "duty of obedience." In essence, these duties require nonprofit board members to adopt sound, ethical and strategic, governance and financial management policies. In addition, boards must ensure the organization has sufficient resources to advance its mission (National Council of Nonprofits, n.d). Being able to perform these legal duties is essential for nonprofit organizational effectiveness, and difficult to do when administrative capacity is lacking. Interviews revealed that some dysfunctional board dynamics exist which prevent them from fulfilling these duties such as too many board members being disengaged and board members being uncertain of their roles and responsibilities (Ryan, Chait, and Taylor, 2003).

Lastly, communication and collaboration play an essential role in managing any organization successfully. Interview results indicated that some members feel HFHDC has an unclear organizational structure, reporting requirements, and communication channel between the board, committees and the staff. UNICEF (2015) stated that the development and application of standard operating procedures might reduce variation and improve quality by ensuring that a process or procedure is followed consistently throughout the organization, even if temporary or permanent personnel changes occur. (Binti Ali and Gabarin, 2017). Our discussions with board members suggested a lack of collaboration exists between the executive director and the board. Worth (2020) discusses how an ideal nonprofit board should collaborate with the Executive Director to ensure sound financial management, and that clear procedures should be in place for the board to properly review the performance of the Executive Director. LeRoux and Langer (2016) also note how nonprofit Executive Directors often desire "high levels of board involvement in activities such as fund development, strategy and planning, and financial oversight," parts of which are also missing from HFHDC based on conversations with staff and board members. Hodge and Picco (2005) reported that increased engagement between the board and executive team will likely reduce some of the organization's vulnerability.

To sum up, it is essential to review the weaknesses discussed above that are internal to the organization. Building the organization's administrative infrastructure and engaging in Fundraising and resource planning are important for the organization's long-term sustainability. Communication and the board/staff relationship are essential for effective organizational performance.

Opportunities

The internal strengths and weaknesses described above have a direct influence on the external opportunities and threats faced by HFHDC. It is important to think about this section and the next one in the context of the last two sections: not every opportunity and threat has been listed here because, based on the current status of HFHDC, some opportunities may not yet be achievable and some threats may be easily overcome

(Everett 2014). With these factors in mind, our team identified four viable opportunities that involve (1) seeking readily available resources from the surrounding community and region, (2) considering a partnership with another organization, (3) pursuing retail revenue in the form of a ReStore venture, and (4) selling HFHDC's mortgages to decrease risk and ensure a more reliable revenue stream.

HFHDC is ideally situated in regard to the support network surrounding it: there are fourteen HFHs and twenty-five HFH campus chapters in Illinois, representing a wealth of resources, as well as organizations whose missions are to support the nonprofit sector locally. Board members who were interviewed spoke highly of nearby affiliates, especially the Rockford Area Habitat for Humanity. At a recent board meeting attended by one of our study team members, HFHDC's executive director indicated he intended to meet with other HFH directors who represent the northern region of the state, and those in attendance were enthusiastic about this networking opportunity. It was mentioned in the April 2022 meeting that HFHDC has not reached out to the local university nor the DeKalb County Nonprofit Partnership (DCNP) and DeKalb County Community Foundation (DCCF) to utilize their resources; this reflected similar statements during interviews with board members. There is also not a campus chapter at NIU, which could result in more volunteers to raise funds, oversee events, and assist with homebuilding. Collaborative partnerships between nonprofit organizations can help partners acquire critical resources and reduce uncertainty (Guo and Acar, 2005). Additionally, three board members at the recently attended meeting stated that recruitment of younger volunteers from the university and local schools would encourage their future involvement in HFHDC's activities and increase awareness among their families and friends.

Nearby affiliate Habitat for Humanity of McHenry County (HFHMC) has offered to merge with HFHDC to assist them with their goals and to help them better utilize the resources offered by DeKalb County. HFHMC operates two ReStores, in McHenry and Woodstock, and it boasts a vast list of sponsors for its homebuilding work. Although this organization is an hour away from HFHDC, they are well versed in securing funding and managing retail operations, and their experience with seeking grants and holding fundraising events may prove highly beneficial. According to their 2018 Form 990, fundraising constituted only 2.25% of their total expenses, yet HFHMC boasted a 14% average fundraising efficiency percentage: they spent $47,937 to yield contributions totaling $342,108. Such nonprofit mergers can be an effective means for providing expanded and improved services, and for less than if done on one's own (Milway, Orozco, and Botero 2014). This affiliate is also familiar with operating a ReStore, which is a possible avenue of revenue being explored by some HFHDC board members and staff.

Commercial pursuits have become an increasingly popular way for nonprofits to generate much needed income, provided the organizations can demonstrate sufficient capacity (Salamon, Young, and Grinsfelder, 2012). If HFHDC decided to operate a ReStore, there would be an estimated 18-month period before its doors could open, thus some board members feel this is an avenue to explore after seeking other funding sources that require less of an investment. The executive director feels very strongly about the establishment of a ReStore because he previously worked at one in another county and believes this is the best way to generate more revenue. One board member explained that even in the event of HFHDC selling the building it purchased for operations, most ReStores are operated in rented facilities at a rate well below market value due to their connection with Habitat for Humanity. Proceeds from ReStore sales of new and used items could further diversify HFHDC's revenue mix and give the organization an outlet for the goods that are donated regularly to it. The store's presence in the community may also serve to increase awareness of HFHDC's mission and expand their volunteer base.

A short-term opportunity for more revenue is the selling of the current mortgages held by HFHDC. This arrangement has resulted in less than half of the houses built since 1998 being paid off: most of these no-interest mortgages are for periods of twenty years or more, and according to a board member as well as the executive director, when payments cannot be made by homeowners, HFHDC ends up not collecting on a mortgage for many months. According to the same individuals, the current situation also does not permit those living in the homes built by HFHDC to improve their credit scores, since the organization does not report these payments to credit agencies. This situation was also mentioned during the April 2022 board meeting, and though there was discussion of programs and companies that buy low-interest mortgages, partnering with local banks may ensure HFHDC is not risking their built homes being flipped or rented to markets that can afford higher rates. HFH International may have resources available that can assist with the transfer and notification procedures that should be followed, and HFH affiliates in Illinois with experience could further assist with the mortgage sale process to prevent any erosion of trust between HFHDC, its homeowners, and the community.

Threats

In addition to the opportunities discussed in the preceding section, there are several threats that HFHDC should be aware of as they move forward. David, Creek, and David (1984) define threats as "economic, social, cultural, demographic, environmental, political, legal, governmental, technological, and competitive trends and events that could significantly harm an organization in the future." The threats identified by our study team include the potential of a merger with Habitat for Humanity of McHenry County (HFHMC) not working out, the current state of the economy, competition with other nonprofits in the area, and the ongoing COVID-19 pandemic.

As previously mentioned, the merger between HFHMC and HFHDC is being explored by board members and, according to some of them, could present a particularly good opportunity. However, some board members are worried about a potential merger with a larger organization, and they fear that DeKalb County residents and members of HFHDC may be left behind. Milway, Orozco, and Botero (2014) explain how some nonprofit mergers fail due to a lack of post-merger integration, and to be successful, merging nonprofits need to be able to integrate staff and stakeholders on both sides so that no one is left behind. With McHenry County being far away from DeKalb, this also has board members worried, and as good of an opportunity that this could present, it does not go without risks.

The current state of the economy could also pose significant threats to HFHDC. From March 2021 to March 2022, inflation has gone up 8.5% and individuals are experiencing higher costs, particularly with regards to gas and rent (Smialek, 2022). Levels of discretionary spending among middle-income and particularly high-income individuals have also seen decreases so far in 2022 (Rosenbaum, 2022). While overall charitable giving did increase by 8.9% in 2021 as compared to 2020, it remains to be seen what impact the current state of the economy will have on charitable giving in 2022 (Blackbaud Institute, 2021). Based on discussions with current board members and staff, Habitat gets many of its building materials from donations, and when those items are not donated, Habitat must purchase them. The cost of construction materials rose by 17.5% from 2020 to 2021 and those costs are still rising (Hollenbeck, 2022). With HFHDC's mission being highly contingent on construction materials, this is something that could also pose a significant threat in the future.

Another external threat to HFHDC is competition with other nonprofits for the same donors. While board members and staff seemed to have a positive outlook with regards to other neighboring Habitat organizations and how they are valuable partners, there are still other organizations within DeKalb County with which HFHDC must compete for resources. A quick glance at the DeKalb County Nonprofit Partnership's website shows that there were over 150 member organizations in 2020 (DCNP, 2020). HFHDC is in direct competition with these organizations for resources and volunteers, and Bose (2014) notes how "an increase in nonprofit competition causes a decrease in charitable contributions received on average by a nonprofit." Friedman (2008) also discusses how, in a given area, one single person is usually targeted by multiple nonprofits, meaning that organizations are often targeting the same people, regardless of mission. Best practices within the nonprofit sector suggest that organizations that have systems in place – such as strategic planning and constant reporting on outcomes – are in a better position to attract donors in the current market; based on conversations with staff and board members, this is lacking at HFHDC (Brest, 2020). Habitat could be passed over by potential donors in the area in favor of other organizations that have these structures in place. According to HFHDC board members and staff, Thrivent also recently discontinued large grants to HFHs nationwide, and this could pose a significant problem for future funding because it represented a large source of revenue each year for the organization.

HFHDC would not be able to operate without the help of its volunteers. According to staff and board members, COVID-19 negatively impacted people volunteering, and some still have not come back. Worth (2020) notes how important volunteers are to the overall success of a nonprofit organization, and having regular volunteers is a massive part of that success (ibid, 258). A recent Gallup poll from March of this year showed that 41% of Americans are still avoiding events with large crowds, 28% are still avoiding stores, restaurants, and other public places, and 21% are still avoiding small gatherings of people, such as with friends or family (Saad, 2022). These poll numbers have been improving since the start of the pandemic, but this is still a significant portion of the population saying that they are avoiding being around other people, and this could continue to hinder HFHDC's efforts to bring back some of their regular volunteers and recruit new ones.

Conclusion

Based on our outside research and interviews with HFHDC board and staff members, we believe that the primary strengths of the organization are its dedicated and passionate board and staff, the name recognition associated with Habitat for Humanity International, and HFHDC's physical assets which can be leveraged or sold in the future if needed to buffer against internal changes or external threats. HFHDC also has some significant weaknesses that will need to be addressed going forward if they want to build on their strengths, including the lack of a fundraising plan and very little administrative overhead. These factors, coupled with the lack of communication between the Board and Executive Director, does not allow board directors to fully meet their legal obligations. HFHDC does have many opportunities in front of them, including a potential merger proposed by Habitat for Humanity of McHenry County, and they are in the process of exploring the opening of a ReStore, which could generate much-needed income. Selling specific assets, such as mortgages, could also provide immediate cash flow to the organization. There are also multiple threats that the organization faces, including poor economic conditions in the United States, competition with other nonprofits in the area, and the ongoing COVID-19 pandemic. However, viewing these threats within the context of its strengths and opportunities will hopefully provide HFHDC with an appreciation for the real potential it has and the value of its investment of time and energy to overcome its weaknesses.

Part IV: Mini Feasibility Study for Operating a Habitat ReStore in DeKalb County

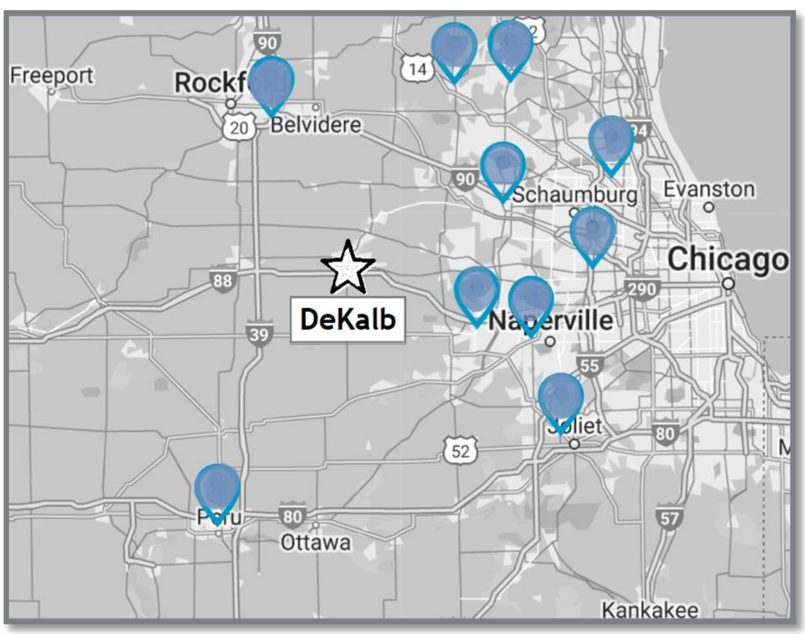
Nonprofit organizations are facing increased competition for clients, contracts, and funding as they struggle to survive fiscal issues such as decreased government funding, a shift away from grants toward service contracts, and increased competition for foundation and other donor support (Alexander, 2000, as cited in Levine and Zahradnik, 2010). As a result, nonprofit leaders are developing an entrepreneurial mindset and implementing market-based strategies to ensure their organizations' continued service to their customers and communities (Levine and Zahradnik, 2010). A social entrepreneur is someone who recognizes a social issue and uses entrepreneurial principles to organize, construct and run a company to address the issue (Mallin and Finkle, 2009, as cited in Levine and Zahradnik, 2010). The concept of social enterprise is mostly adopted by non-profit organizations (Levine and Zahradnik, 2010). This feasibility study has been conducted by our study team to determine whether it is prudent for HFHDC to operate a ReStore. The study considers the factors that would impact the opening of a Habitat ReStore in DeKalb County, including the current state of the local chapter, and present advantages and disadvantages of pursuing this endeavor. In this introductory section of the study, we explore the history of the Habitat ReStore and the environment in which the HFHDC ReStore would operate.

Thirty-one years ago, Habitat for Humanity International opened its first ReStore in Winnipeg, a city in Manitoba, Canada (HFHI, 2022). The purpose of the facility was to raise funds for HFH houses by reselling new and used construction materials – including windows, doors, paint, hardware, tools, furniture, appliances, and décor – that had been donated to the organization (ibid). Individuals appreciated that their purchases simultaneously assisted Habitat with its home construction mission. The concept rapidly gained popularity after its inception, and by 2021, more than 1,000 Habitat ReStores were operating in six countries (ibid). Over 900 of these locations are in the United States, and they resell a variety of donated products, from household goods to building materials (ibid). The organizational structure of the business is similar to a home improvement store, and Habitat ReStores continues to rely on donations of new and used items (ibid). Most ReStores also offer pickup services, and some offer building deconstruction services (ibid). Do-it-yourself workshops are held at many ReStores to provide ideas for upcycling used items or installing new ones (ibid). ReStores are open to the public and are known as community businesses that promote recycling efforts (ibid). Each store caters to its local customer base in the way that best suits the area it serves, and it relies on paid staff as well as volunteers to manage daily operations and provide services (ibid). Since DeKalb is in the Northern Illinois area, data collection and analysis about ReStores from the area will helps to identify the key aspects in the markets.

National and Local Markets

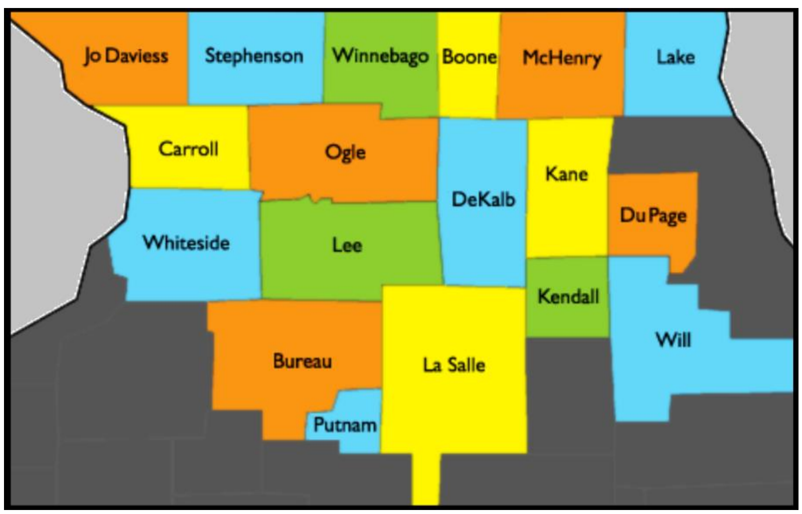
Currently there are twenty-one Habitat ReStores in Illinois, but none are operating in DeKalb County (HFHI, 2022). Figure 9 illustrates that the closest ReStores to the City of DeKalb are in Rockford and Elgin, less than 40 miles away. There are ten Habitat ReStores near DeKalb County, including seven stores with a travel time of under an hour from DeKalb: Rockford Area Habitat for Humanity ReStore, Habitat for Humanity ReStore Elgin, ReStore Aurora, Fox Valley Habitat for Humanity, DuPage County ReStore at Fox Valley Mall, Addison Habitat for Humanity ReStore, Habitat For Humanity Woodstock ReStore, and Habitat for Humanity of Northern Fox Valley. These ReStore locations are where the populations of DeKalb and Sycamore most likely shop when they wish to support Habitat for Humanity.

Figure 9: Habitat ReStores Closest to DeKalb County



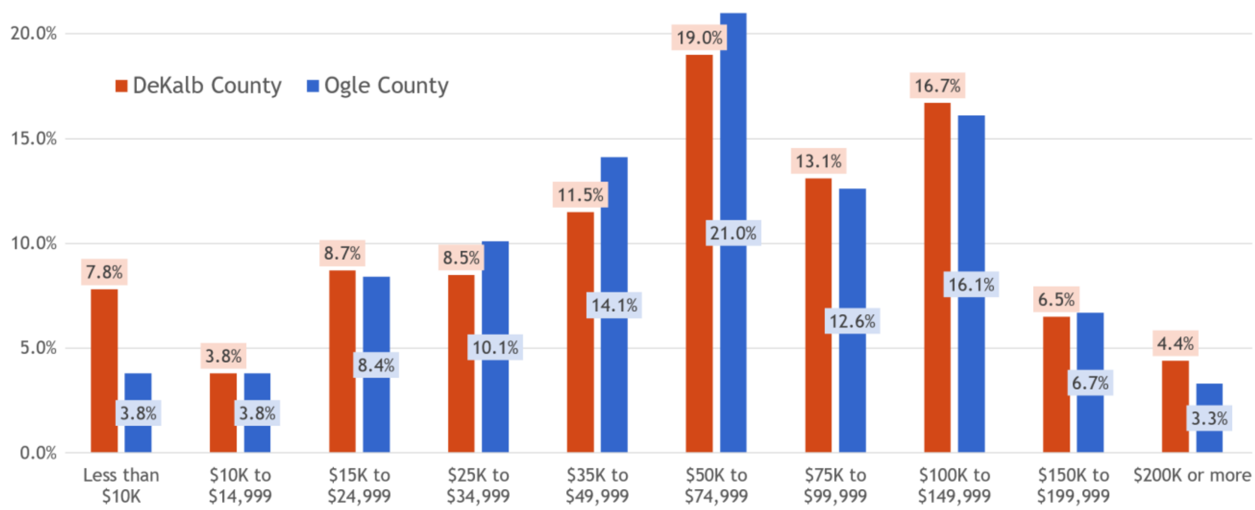
Evaluating the target customer around the potential business location is an essential part of the business development process. As can be seen in Figure 3, DeKalb County is bordered by eight counties: Boone County to the north, McHenry County to the northeast, Kane County to the east, Kendall County to the southeast, LaSalle County to the south, Lee County to the west, Ogle County to the west, and Winnebago County to the northwest. Local Habitat Restores are in four counties: Boone County, McHenry County, Lee County, Kane County (Elgin store, Aurora store), Kendall County, LaSalle County and Winnebago County. There are no ReStores in Ogle County, therefore that county's population could contribute potential customers along with DeKalb's population. The two counties have a total population of 151,863 people (U.S. Census Bureau, 2020), with 74 percent, or 115,055, over the age of 20. At this point, it is important to choose a location where people from both counties can easily access. The literature on business location identifies several variables believed to influence the location decisions of entrepreneurial businesses (Johnson and Rasker, 1995). According to a representative from Goodwill DeKalb, most of the customers are from Sycamore and DeKalb, whereas a tiny percentage of people are from nearby counties. In DeKalb, the total population is 100,414 and 78.6 percent are above age 18.

Figure 10: Counties Surrounding DeKalb County



Besides population, the income status of targeted population plays a crucial role in customer behaviors. According to Figure 2: the two population groups from potential markets exhibit similar wealth distribution, and the majority of the population reside in middle-income households. Whereas 71.2 percent of the households in DeKalb have monthly income above $ 35000. According to the United States Census Bureau, "the family's 2020 poverty threshold (below) is $31,661" (U.S. Census Bureau, 2021). According to the Census, the average per capita income in DeKalb is $29,780. Meanwhile, 10.8 percent of DeKalb's total population is impoverished (U.S. Census Bureau, 2021). Additionally, close to 15,000 students are enrolled currently at Northern Illinois University (NIU), located in DeKalb County (Brionna, 2022). As reported by Finlon (2018), a report from the NIU Government Research Center identified student and staff spending as a major driver of DeKalb County's economy. The studies also suggested that enrollment has declined over the years, which has affected the local economy.

Figure 11: 2021 Household Incomes in DeKalb and Ogle Counties



Few Habitat affiliates in the Northern Illinois region do not operate a Habitat ReStore, hence the wide utilization of the ReStore enterprise model is important to consider when identifying potential competitors for a ReStore in DeKalb County. In the context of market competition, it is suggested that the only way for a business to maintain a competitive edge is for it to learn faster than its competitors (De Geus, 1998, cited in Liu and Ko, 2011). Other potential competitors to consider are businesses and nonprofits in the DeKalb/Sycamore area that sell used and new building materials, including the Salvation Army Family Store, Redeemed Office Furniture, Lowe's Home Improvement, Home & Vintage, Country Store, All American Reclaimed, Goodwill Industries of Northern Illinois, Perchance Antiques, and Home Depot. For example, the Salvation Army Family Store and Goodwill have a similar business model and organizational value which is conducting social welfare by selling used household goods, furniture, appliances, and clothing (Le Zotte, 2013). Additional factors that will influence the decision to operate a ReStore in DeKalb County are discussed in the following sections.

Resource Analysis

Our study team has assessed what are the current resources, both human and financial, held by HFCDC, as well as the financial positions of nearby ReStores, to determine the resources that would be needed for HFHDC to operate a ReStore in DeKalb County. Our financial analyses of HFHDC and ReStores in the area, as well as one-on-one interviews with ReStore managers in Will County and McHenry County, provided sufficient insight into the significant overhead needed to start and maintain a successful ReStore, including human capital in the forms of paid and volunteer staff, property and equipment, and financial resources.

Starting with Habitat for Humanity of McHenry County (HFHMC), this organization operates two ReStores, in Woodstock and McHenry, and it relies on mostly volunteers to sort and stock items, operate the registers, and maintain cleanliness on the store floors (HFHMC, 2021). HFHMC's full-time volunteer coordinator schedules and recruits these individuals, while each ReStore's daily operations are overseen by a paid store manager (ibid). The Woodstock location is near a Jewel-Osco grocery store, and both ReStores appear to be in rented buildings in heavy commercial areas, based on Google Map views. HFHMC's 2020 Form 990 does not indicate how much revenue was generated by the two ReStores, but it shows that the organization spent $732,652 to operate the two stores (Guidestar, 2020)

Habitat for Humanity of Will County (HFHWC) runs one ReStore that has five paid, full-time staff members dedicated to operating the facility, including a Manager, Floor Manager, Procurement Coordinator, Assistant, and Associate, in addition to a number of volunteers (HFHWC, 2021). HFHWC's 2020 Form 990 states expenses totaling $757,542 to operate their ReStore and $819,270 in revenue (Guidestar, 2020). According to a representative of the organization, HFHWC owns the large building in Joliet out of which the ReStore operates, which is near many other commercial and retail businesses, and the mortgage payment is around $8,000 per month.

Our study team looked at two other local Habitat ReStores for comparative purposes. The Rockford Area Habitat for Humanity (RAHFH) ReStore employs nine full-time positions: a Director, Assistant Store Manager, Donation Manager, Cashier, Receiving Clerk, two Customer Service Associates, and two truck drivers (RAHFH, 2021). The Fox Valley Habitat for Humanity (FVHFH) ReStore also has nine full-time employees, and both organizations utilize large, rented spaces in commercial and retail areas. The ReStore in Rockford generated $849,729 in revenue and $868,461 in expenses, according to its 2020 Form 990 (Guidestar, 2021). FVHFH reported $2,011,637 in revenue and $1,890,285 in expenses for its ReStore, based on its 2019 Form 990 (ProPublica, 2019). In conclusion, this data suggests that running a ReStore requires a substantial investment of both human and financial capital. Our data indicate that in most instances this investment has been profitable for HFH chapters.

Based on an interview with a representative from HFHWC, staffing is the most essential part of a ReStore, and multiple employees are required as well as many volunteers to run a successful ReStore. The ability to market the ReStore is also very important, according to interviews, and its online presence must be considered, including oversight of reviews submitted via Google and posts to social media platforms. One individual who helped with the opening of a ReStore in Aurora that was slated for Fall 2019 said that the facility had to do a soft open in November and did not officially open fully until early 2020. A number of unforeseen issues resulted in lengthy setbacks and additional expenses, including the initial general manager being replaced, building permits being required due to the rented warehouses not being outfitted properly for a retail establishment, and fire code violations. The new general manager took the time to visit other area ReStores to determine best practices, but there were two store managers who could not decide about how to optimally use the staging area intended for sorting donations, and they were conflicted about how to utilize the floor space for setting up displays. This demonstrates the importance of having a highly organized, experienced team to run daily ReStore operations.

Organizational Values Analysis

At the April 2022 board meeting attended by one of our study team members, the executive director mentioned many advantages of operating a Habitat ReStore in DeKalb County, while a few board members shared the disadvantages. Interviews were also conducted with the executive director and a member of the board to determine the values of HFHDC and the goals it wishes to accomplish with opening a ReStore. According to one of the board members at the meeting, the sole purpose of operating a Habitat ReStore would be to support the mission of HFHDC and HFH International, since proceeds are used for work done locally but ten percent of this revenue is also put towards HFH's expected tithe to help provide shelters globally. According to the executive director, this nonprofit resell store would generate much-needed revenue for HFHDC, possibly enabling it to build two houses annually instead of only one, and making decent, affordable housing available is their highest priority.

The executive director described a ReStore endeavor as requiring a minimum of eighteen months of set-up, thus he encouraged the Board to reconsider their priorities and focus on acquiring the necessary resources to open a ReStore. He pointed out that many individuals donate home improvement items and other goods to the building in Sycamore out of which HFHDC operates, thus these donations would be well suited for a ReStore. In his opinion, a ReStore would also help people recognize HFHDC's involvement in their local community and encourage more individuals to volunteer, both at the store and fundraising events as well as during the building of houses. He also considered the ReStore to be a worthwhile investment because it would represent yet another way HFHDC was contributing to the community, and it could assist the organization's efforts to increase their visibility, demonstrate financial stability, and expand their local network.

Some board members expressed that this aligned well with HFHDC's values as a Christian nonprofit that wants to embolden community members to help those in need and also help themselves to be independent and more knowledgeable if they are struggling. Others felt that the priority should be achieving financial stability now by pursuing fundraising and grant-seeking endeavors. They pointed out that investment in a ReStore would involve too many unknowns, and it could be reconsidered after a few years of being on the right path financially. In the short term, they felt that augmenting HFHDC's employed staff and replacing board members who may soon retire should be the main focus. One board member emphasized the importance of being present in the community through more networking and events to build up its volunteer workforce, which he had noted was crucial for running most Habitat ReStores. Finally, it was stated that HFHDC's main value — building affordable housing and offering no-interest financing to its qualifying applicants — could be in jeopardy if the ReStore effort failed and used up the organization's scarce resources, and another member expressed concern about how HFHDC would then be less likely to receive donations and funding based on their inability to manage their operations well.

Benefits and Drawbacks

Every Habitat ReStore that we studied had multiple employees to run daily operations, as well as many individuals in various roles that made up the administrative infrastructures of the organizations that oversee them. According to interviews with the Board and staff, HFHDC has a solid volunteer network that could be utilized at a ReStore to supplement its full-time staff. This will prove beneficial in the future if HFHDC decides to open a ReStore, especially if even more volunteers are able to be recruited from the local schools, university, and community, and a volunteer director is subsequently appointed to ensure reliable scheduling.

HFHDC also does not have much marketing infrastructure currently and its local network is limited. It owns the building where its office is housed, but it would need a far larger physical space to operate a ReStore, and this would mean spending more money than its current mortgage to rent an appropriate space. While there is the obvious benefit of an additional revenue stream if HFHDC opens a ReStore, there are many start-up costs outside of those involving human capital, and ultimately ten percent of this unrestricted ReStore revenue is expected to be tithed to HFH International to support its global ministry. At this time, it may be more beneficial for HFHDC's current, known revenue mix to be expanded upon rather than taking on the unknown challenges that could be presented by opening a ReStore. Fundraising and grant-seeking activities will bolster HFHDC's local presence and allow them to fulfill their mission in the community – and possibly to build more houses in the future – as well as provide more educational opportunities to community members in need. Achieving financial stability over these next few years will also encourage more stakeholders to contribute to HFHDC, and then a ReStore venture can be reconsidered under more optimal conditions.

Conclusion

Our study team carefully considered a number of factors, including the competitive effects of national and local markets, necessary resources for start-up and daily operations, and HFHDC's values, to determine the benefits and drawbacks of opening of a Habitat ReStore in DeKalb County. Based on this mini feasibility study, at minimum HFHDC would need to incur the costs associated with acquiring a physical space and employing more staff, thus the expenses appear to outweigh the estimated revenue.

Part V: Evaluation

Based on the findings of our financial analysis, SWOT analysis, and ReStore feasibility study, there are many areas for leadership at HFHDC to consider when assessing possible short-term and long-term organizational decisions and responses. Our study team used an extended SWOT matrix to examine the interrelationship of HFHDC's external opportunities and threats and its internal strengths and weaknesses to identify how the organization could best match these four categories to one another. The quadrant employed for this type of evaluation involves four corresponding actions: Invest, Decide, Defend, and Damage Control. For potential areas of investment, HFHDC's strengths and opportunities are paired up. For key decision making, the organization's weaknesses are matched with corresponding opportunities. When choosing what to defend against possible challenges, threats are countered by HFHDC's strengths. Finally, when estimating how the organization should employ preventative damage control, its weaknesses are paired with corresponding threats. The results of our evaluation follow.

Invest

While HFHDC possesses many strengths and has a multitude of opportunities to consider, our SWOT analysis identified the commitment of its board members as a key strength of the organization. There is the potential to build on this strength via capacity building, which is also known as capacity development. In our interviews with board members and staff at HFHDC, it was mentioned that HFH International offers many resources for affiliates to learn about management and oversight. Best practices in the nonprofit sector encourage boards of directors to take more active roles and to be co-leaders with their organizations' executive directors (Worth, 2020). If HFHDC's board members took advantage of these opportunities to learn and grow, they would have the capacity to play a more active role in the organization and propel it to the next level operationally and financially. Additionally, strong nonprofit boards of directors are essential for helping such organizations bring in much needed resources (Roth, 2020). A healthier board may result in more opportunities in the community as well, as members assist with building up HFHDC's resource base and pursuing more partnerships.

The strength of HFHDC's affiliation with HFH International and the subsequent benefits of this association, including the aforementioned capacity building resources, offer an opportunity to invest in a full-time executive director and possibly more employees in the future. As mentioned previously, Forbes rated Habitat for Humanity International as sixth in their top 100 charities of 2021, and HFH is well known and widely respected among external rating sources (Barrett, 2021). Utilizing this popularity to attract viable potential candidates is a sound route to take, as applicants are more likely to apply for a position if they are familiar with the company brand (O'Donnell, 2018). Additionally, as mentioned in our financial analysis of HFHDC, the organization is not in any immediate danger financially and has some short-term capacity, thus investing in some risk is reasonable in the event of leadership at HFHDC choosing that path (Myser, 2016).

Decide

The current lack of administrative infrastructure and long-term sustainability at HFHDC are major weaknesses that were identified in our SWOT analysis. Interviews with board and staff indicated that two options are available to potentially fill these gaps: a merger with Habitat for Humanity of McHenry County (HFHMC), or hiring a full-time executive director. Our study team researched HFHMC and found it has very good financials and a number of staff members who are well-versed in running a nonprofit organization. Nonprofit mergers can aid with achieving improved and expanded services at a cheaper cost, but they can also fail if the merging organizations do not integrate key staff and stakeholders (Milway, Orozco, and Botero, 2014). Leadership at HFHDC needs to decide whether to merge with HFHMC or expand administrative capacity on its own. If the organization opts for investing in its staff without merging, it will need to consider how the sale of assets may affect HFHDC's long-term sustainability. While there are assets currently at their disposal, including the building that houses their office and their mortgages with partner families, the sale of these resources may only result in short-term gains if not wisely invested, leaving HFHDC without a major component of its current long-term sustainability.

If HFHDC decides to build up its administrative capacity, it should be aware of the many resources needed to start a ReStore, given this idea is also currently being investigated by staff and board members. Based on our research, many of the ReStores in the surrounding area bring in significant revenue annually, ranging from just under $1 million to just over $2 million (Guidestar, 2020). However, there are significant costs associated with starting up and operating a ReStore. Every Habitat ReStore we surveyed has at least five full-time staff members at a single location and substantial administrative staff at the affiliated chapter that is responsible for the store. Surveyed ReStores also pay large sums in monthly rental costs to occupy the spaces required to run these establishments. For example, Habitat for Humanity of Will County pays over $8,000 per month in rent for its ReStore facility. Smaller organizations with few administrative staff members are less likely to have sufficient capacity to manage several revenue streams (Young and Soh, 2016). HFHDC needs to decide if this is something the organization would like to pursue now, or later, after more organizational capacity is established.

Defend

HFHDC's ability to weather the unexpected over the past several years is indicative of its ability to defend itself against threats. This strong defense is likely attributable to its aforementioned key strengths: its connection to the highly reputed HFH International, the correlated access to its parent organization's capacity building resources, the relative liquidity of its assets, and its short-term financial strides that are buoyed by its committed board members and staff.

In the event of unforeseen challenges, such as an upsurge in COVID-19 cases or a downturn in the economy, HFHDC can rely on the national reputation of HFH International and the appeal of its mission even during the most trying times. As mentioned above, Habitat for Humanity was ranked sixth out of 100 charities by Forbes last year, despite the continuing pandemic. Many recognize that providing affordable housing to the disadvantaged is more crucial during national crises, thus HFHDC may be able to rely on support during downturns. At those times, the organization could also selectively sell some of its aforementioned assets and demonstrate to lenders that its recent upward-trending financial position is evidence of its ability to continue moving forward despite internal setbacks.

The threat posed by local competition can also be assuaged by HFHDC's current financial status and the support of HFH International. These strengths will also appeal to those who apply for employment with the organization, in the event a full-time executive director is sought, which is important to note during a time when there appears to be much competition for qualified candidates. If HFHDC instead seeks a merger with HFHMC to gain more resources, it should be noted that the strength of its committed Board and staff will prove beneficial if there is the threat of underinvestment in or the dissolution of HFHDC after it merges with HFHMC, and the sale of its assets may also keep it afloat.

Damage Control

Where a threat can be matched with a weakness, it is crucial to do damage control. Preventative measures can ensure unforeseen external forces will not have as significant of an impact, thus it is important that HFHDC have plans in place to plot its short-term and long-term fundraising activities, resource and capacity building, and continued financial stability.

Hiring a full-time executive director is one step that could allay the weaknesses of having insufficient administrative capacity and no concrete plans in place for fundraising and resource generation. This appears to be a very necessary act of damage control given the imminent departure of the current executive director and the two options being considered by HFHDC: a merger with HFHMC, or a ReStore venture. Strong leadership augmented by an expanded board may also mitigate possible threats posed by either choice, since the worst case scenarios presented by both are either the aforementioned dissolution or underinvestment of the organization after a merger, or the inability to successfully operate a ReStore after a lengthy, cost-laden endeavor of at least eighteen months.

Building capacity through hiring staff and augmenting the Board would also ensure that local competition poses less of a threat to HFHDC and its plans to seek more funds and partnerships within the community. More board oversight and a full-time, dedicated executive director are essential to prevent HFHDC from jeopardizing its long-term financial solvency, which is at this time not a reality due to the internal struggles it faced a few years ago. The organization is on the right path at this time, thus it must invest in some form of damage control that is viable and can serve its short-term endeavors without expending scarce resources.

Part VI: Recommendations

Considering the financial and SWOT analysis, the capital-intensive nature of ReStore from our feasibility study, and a series of HFHDC interviews, two recommendations are made. First, we suggest the organization consider merging with McHenry County or enhancing its Board and organizational capacity through Habitat for Humanity International, in addition to hiring a new full-time executive director. Finally, we recommend that the company selectively sell its assets. The following arguments support our recommendations.

To begin, an opportunity the team discovered was the Merger with Habitat for Humanity McHenry County. A merger is a legal agreement that combines two existing businesses into a single entity (Cooper, 2019). Mergers are only one method of restructuring; Campbell (2009) defines inter-organizational restructuring as "the coming together of two or more independent organizations in which partners change governance, integrate service and administrative operating systems, and at least one gives up substantial independent decision-making authority" (Campell, 2009, as cited in Cooper, 2009, p. 222). Our findings revealed that HFHDC lacks a sufficient administrative system, thus a merger with HFHMC appears to be beneficial in this regard. There are several lesser-known or understudied factors that may lead to nonprofit mergers, though financial motives are the most examined. Some research acknowledges that mergers may provide an opportunity to scale up similar services or add new programs to an existing portfolio. For instance, Wernet and Jones (1992) indicate that mergers can be horizontal, in that they involve two organizations providing similar services; vertical, in that they involve two organizations working to provide different services within the same system; or conglomerate, in that the organizations operate in completely different fields (Cooper, 2019). We recommend that HFHDC merges with HFHMC to achieve their objectives and help them make better use of DeKalb County's resources. Our study revealed that HFHMC is well-versed in securing funding and managing retail operations. HFHMC's experience in securing grants and organizing fundraising events may prove invaluable. With the current situation of HFHDC and the lack of requisite nonprofit expertise in the organization, a merger with the HFHMC would create a synergy that would eliminate DeKalb Chapters' weaknesses while drawing in on its strength to fight future threats (Harris, 2020). There is an opportunity to generate more revenue, reduce expenses, and serve more constituents when entities merge (ibid). Aligning revenue streams can generate additional income (ibid). The new entity will likely receive funding from the corporations, governments, and philanthropic organizations that previously supported the old entity (ibid). According to Larson (2000), mergers are successful marriages, but you must take your time before committing (ibid). Harris (2020) outlines the benefits of a merger as efficiency gains through economies of scale and economies of integration, enhanced community position, salvaged public support, and management incentives.

As an alternative to merging with HFHMC, we propose that HFHDC develops the ability to be self-sufficient. For the long-term viability of every organization, capacity building is a fundamental pillar to consider. Our research revealed that HFHDC lacks the requisite capacity due to the organization's challenges and weaknesses, which are primarily associated with its limited administrative capacity. There are three roles played by boards of directors: control, service, and resource development. Due to HFHDC's limited revenue stream, the resource development role (i.e., maintenance and acquisition) is the most important (Johnson, Daily, and Ell strand, 1996, as cited in Hodge and Piccolo, 2005). For board members to fulfill their fiduciary duties, they must possess the knowledge necessary to manage a nonprofit organization (Worth, 2020). Our interviews with the Board and staff revealed that some board members had great fundraising ideas but do not know how to develop a plan of action. Board and staff interview also revealed that the organization has access to HFHI's resources in the form of workshops and training, allowing the organization to increase its capacity. It is recommended that existing board members take advantage of these resources. Also, although HFHDC currently has board members who are passionate about the mission of the organization, they are not performing their duties of care. Our interviews with the board and staff revealed that the chapter lacks financial leadership as it lies in the hands of the ED. This and other reasons have necessitated the need to recruit board members with non-profit expertise (Worth, 2020).

Again, another area to consider in HFHDC's attempt to build capacity is to recruit a full-time resourceful Executive Director. This stride should be taken after the current part-time ED exits the organization. Even though the organization has experienced significant turnover since hiring the current part-time executive director, there are numerous risks associated with not having a full-time executive director. In addition, organizations in social service, the arts, education, and corporate America must have productive board members who work closely with the ED to be successful. It is widely known that an ED must be powerful and charismatic (Hodge and Piccolo, 2005). According to the SWOT analyses, HFHDC has weaknesses in the areas of planning, fundraising, administrative infrastructure, and collaboration among key stakeholders. Mitchell and Calabrese (2019) state that insufficient administrative capacity reduces organizational effectiveness and has a negative effect on fundraising. Having full-time employees is positively associated with the likelihood that a small human service nonprofit will participate in formal collaborations. According to the literature, hiring full-time employees improves formal collaborations by 6.44 times (Kim and Peng, 2017). Thus, the organization should boost its administrative infrastructure and administrative culture by hiring a qualified candidate as a full-time ED.

To continue, aside from capacity building of Board members and improving administrative infrastructure in the organization, it is recommended that HFHDC adopts Standard Operation Procedures. Standard Operating Procedures (SOPs) are detailed instructions that serve as guidelines for employee work processes. Based on interactions with board members and staff, as well as in-depth research into HFHDC, our study team observed that HFHDC lacked standard operating procedures regarding the recruitment of board members. In addition, we discovered that there are no spelled-out responsibilities for board members, so they are unaware of their duties of care, which include financial leadership and organization oversight. Interviews with Board and staff revealed that HFHDC does not engage in any form of yearly performance management hence lacked any annual reports. Research has established that developing a standard operating procedure (SOP) for organizational management and operation is crucial for HFHDC (Brinkerhoff,2003). Whether written as numbered steps or flowcharts, effective SOPs are comprehensive, clearly written, and based on the input of the workers who perform the tasks (ibid). SOP's that are developed on mutually agreed upon standards are widely adhered to and are indicative of a cooperative relationship in which all parties are aware of their responsibilities and carry out their duties as expected (ibid).

Finally, on organizational capacity building, it is recommended that HFHDC develops a fundraising and resource development plan both for long- and short-term purposes Our team found that the organization has no annual giving and grant plans (short term) or major giving and social enterprise plans (long term) in place. To begin with this fundraising plan, as mentioned in our financial analysis, HFHDC should conduct a financial audit to enable them to see where they are now, visualize where they want to go, and determine how to get there. (Sargeant and Shang 2017) The literature suggests that all organizations develop an annual operating plan (short-term plan) that is coordinated with their strategic long-term plan (American Nurse Association, 2016). The short-term plans should be constructed with the long-term plan of the organization in mind (ibid). A long-term plan is necessary to guide the board and staff in securing sufficient funding for the pursuit of the mission (ibid). The board is required to fully understand the plan, participate in its evaluation and approval, and monitor its implementation and progress (ibid) The roles and responsibilities of the board and executive director, as well as the subcommittees of the organization, should be reflected in both the short- and long-term plans (ibid).

Our study team's second major recommendation is for HFHDC to selectively sell assets. This recommendation is made based on HFHDC's lack of long-term financial sustainability and its wavering short-term capacity. Nonprofit organizations typically sell their physical assets to buyers in exchange for cash or other property when they have a need for cash flow (Claxton et al, 1997). Typically, the proceeds of such sales are distributed to a charitable foundation, which may be the original organization or a new nonprofit organization (ibid). For nonprofits in risk of closure, selling their assets may be viewed as the most viable option (ibid). Nonprofits may also view the sale as an opportunity to generate funds for the continuation of threatened missions and programs (ibid). The SWOT analysis identified the organization's assets as its greatest strength and their sale as its greatest opportunity. In this light, we recommend the selective sale of it, as failure to do so would result in the elimination of the organization's greatest asset. Due to its fund balance, HFHDC is not in imminent peril currently. However, the average net income over the past four years has been negative. If the organization sells its assets indiscriminately, it may experience immediate financial distress. In addition, our SWOT analysis identified the current national and global economic climate as a threat. Given the current state of the US economy, it is crucial that HFHDC retains a portion of its assets for use as a cushion against unforeseen future events. On the flip side, Murray (2020) posits that if ever there was a time for charitable organizations to use their accumulated reserves, it is now.

Additionally, HFHDC should consider selling some of its assets in a strategic manner to raise sufficient funds to hire a full-time, resourceful ED who will work hard for the organization, thereby ensuring its long-term success. Despite the costs associated with recruiting and retaining full-time ED, the lack of qualified full-time ED poses a threat to HFHDC not only in growth and expansion, but also to the survival of the organization (Kim and Peng, 2017). NPO's face many unique HR (Human Resources) challenges, including an often-ambiguous firm identity and difficulty in attracting and retaining key talent and skills. Developing sustainable human resource policies that endure market and organizational fluctuations is key to building strong foundations for long-term employee satisfaction and loyalty (Cardona and Stevens, 2004). In the short term, it has a tangible cost input for HFHDC, but in the long term, there are many tangible and intangible outputs and outcomes for the success of the organization (ibid).

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