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Lessons from the Sinking of the Vasa

By Dennis R. Young

In the summer of 1628, the *Vasa*, a brand new warship commissioned by King Gustavus II Adolphus of Sweden (Gus to his friends), sunk shortly after being launched in Stockholm harbor. According to the *Vasa Catalogue*:

The *Vasa* was the most expensive and richly ornamented naval vessel built in Sweden at this time. When the *Vasa* sailed forth on her maiden voyage, Stockholmers stood along the shore to wish her good luck. They were eyewitnesses to the disaster. The *Vasa* capsized and sank inside Stockholm harbour.

The *Vasa* tragedy was notable both for the way it happened, and for the events following its salvage almost 350 years later. In particular, an entire museum, *The Vasa Museum* (*Vasa Museet* in Swedish), was built around the restored vessel, opening its doors in 1990. Both ends of this story bear lessons for the economic stewardship of nonprofit organizations. The recent recovery and preservation of the *Vasa* was the basis for the creation of a new nonprofit institution which stands witness to the idea that nonprofits have a special role in preserving culture and learning from history. Much as our *Smithsonian Institution* does, the *Vasa Museet*, with the support of public funding, ticket sales and a very nice gift shop, captures an important event in Swedish history and does a wonderful job of making this experience available to people everywhere. The artifacts and legacy of the *Vasa* have become cultural resources rather than elements of commercial exploitation for private gain.

But the sinking of the *Vasa* is even more rich as a *metaphor* for economic stewardship of nonprofit organizations. The *Vasa* appears to have sunk because of design and implementation decisions that demanded too much of its infrastructure and paid too little attention to its basic capacity. Again, according to the *Catalogue*:

...the *Vasa* is extremely top-heavy and requires only a moderate wind force to overturn her....The *Vasa* was more massive, and had more heavy guns, than previous ships...

Although the maximum amount of ballast was apparently loaded on board, it was apparently inadequate to compensate for the great size and weight of the masts, sails and guns. Thinking of the *Vasa* as analogous to a modern day nonprofit organization, what lessons of economic stewardship are suggested? Consider the following four:

Lesson 1: Develop Organizational Infrastructure. The demands of the King for more guns (which included a double row of cannon, one of which was dangerously near the

water line) and a rapid construction schedule, is eerily reminiscent of the practices of many financial supporters who insist that their money be used to fund programs rather than infrastructure, and to demonstrate specific results. The lesson in the *Vasa* experience is that sufficient attention needs to be paid to investing in organizational capacity adequate to sustain operations - a lesson that has indeed been integrated into the venture philanthropy movement and into the mission of such support organizations as *Grantmakers for Effective Organizations*. The lesson needs to be further absorbed into the philosophies of individual foundations, corporations and individuals who donate large sums, as well as by the leadership of particular nonprofit organizations who sometimes accept such gifts without sufficient attention to their ballast.

Lesson 2: Focus on the Margin. The designers of the *Vasa* may have been concerned about whether they had enough ballast overall as counterweight to their operating parts, but if their reasoning focused on “totals” it was faulty. As demands for more cannon and taller masts and sails escalated, they would have been wise to consider these demands incrementally. How much more firepower would another cannon achieve and at what cost to the safety of the ship? If decisions were made this way, there would have come a point when adding another gun or another yard of sail would have added relatively little benefit and would have been offset by an inordinate risk to the ship’s integrity. The last few cannon or feet of mast height probably added more potential loss to the ship’s integrity than their added fire power or speed would have justified. This kind of marginal analysis might have saved the ship. Similarly, nonprofits often miss the point of decision-making at the margin. For example, what should be the target of a fund raising campaign? Is it really worth raising the goal if the resources required to achieve the last increment of gifts exceeds the value of the gifts themselves? Alternatively, should the price of a service be increased if the additional revenue it brings in is less than the added costs saved or the benefits lost for those who would no longer purchase the service?

Lesson 3: Consider the operating costs associated with adding capital. The *Vasa* tragedy was precipitated by an overinvestment in capital equipment - guns, sails, masts and a lot of very fancy “bells and whistles”. Did anyone ask what it would cost to maintain all this equipment? For one thing, more cannon meant more cannonballs, which in themselves would add to the stability problem. Bigger masts meant more yards of sail, more sailors to operate them, and more food and room onboard to sustain the sailors. The costs of capital equipment must be considered in combination with the operating costs that they generate. Nonprofits face the same issues when they build new buildings, invest in laboratory or diagnostic equipment, or engage in capital intensive activities such as summer camps or expansion of fine art collections. Decisions on capital expansion need to go hand in hand with analysis of operating costs.

Lesson 4: Beware of sunk costs! As soon as the *Vasa* went down, the Swedish government tried to find and salvage it, but failed. Over the years, numerous attempts were made by various parties who thought they could find the ship and bring it up. In the 1660’ s a team of men did manage to bring to the surface over fifty of the guns from

the *Vasa*. But it was not until the 1950s that the shipwreck was relocated and a method found to salvage the ship in its entirety. What lessons lie in this experience? The King was understandably anxious to have his ship back but it was basically a lost cause given the technology of the time. The ship was literally a ‘sunk cost’. A decision to invest in its salvage should have been made on the basis of future costs and benefits. What kind of resources would have to be invested in a salvage operation in order to bring the *Vasa* to the surface (if that was at all possible) and what benefits would be derived from doing so? While there was much valuable material on board, the ship would never be seaworthy and the costs of bringing it up might be enormous. Worse yet, it was likely that investment in salvage would come to naught after tremendous expenditure of resources. By the 1950s, however, the equation had changed considerably. Modern technology made salvage much more feasible and economical, and the benefits of salvage were also great. The *Vasa* became a 350 year old time capsule, which went down in mint condition and which promised manifold insights into the nature of Swedish society and nautical engineering in the seventeenth century. This combination signaled success both for the operation and ultimately for the establishment of the *Vasa Museum*. Again, nonprofits can benefit from this lesson. Appropriately, nonprofits are tied to their historical mission and often to traditional programs and ways of doing things. But they sometimes try to salvage things that are not worth the cost. Programs and buildings, even whole missions, sometimes outlast their usefulness. If they have historical or culture significance they may be worth preserving in some form, but reinvesting in old projects and programs because they were once promising or valuable can be seriously misguided. It is the future benefits and costs that count, not the investments that have already been sunk.

There is a good reason why we use nautical metaphors to describe organizations in financial difficulty. Nonprofits are too often compared to sinking ships which need infusions of cash to keep them afloat. Perhaps by following the lessons from the *Vasa*, nonprofit managers can learn to navigate more successfully in the treacherous waters they often face. Certainly, they don’t want to be in the position in which the *Vasa* found itself on August 10th, 1628, easily toppled by a gentle wind.

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