

**Paper Number:** PA051013

**Paper Title:** With Strings Attached: An Assessment of the Causes of Donor Control

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**Summary of Research**

This paper examines the presence of donor control within the nonprofit sector. Increasingly, donors possess discretion in the distribution of their charitable gifts. Using the case of workplace charity, I test whether the growth of donor choice reflects the changing demands and desires of individuals. I find that donors' wishes do matter, but only in limited ways. Fund-raisers grant control to donors when facing not only donor demand but also competition for charitable resources.

**Description**

This paper examines the growing presence of donor control in the nonprofit sector. In recent years, control of revenue has been decentralized from nonprofits (and their professional staff) to donors. Elite givers, for example, are no longer contributing to community foundations, but are instead setting up their own charitable gift funds. Similarly, in many religious denominations, congregants are no longer donating to their local church, but are instead directing their gifts to a diverse assortment of translocal and special purpose groups. Contributions to one of the most venerable of charitable institutions, the American Jewish Federation, increasingly come earmarked by donors for particular causes and issues. In all of these cases, individuals are no longer donating to centralized organizations through "checkbook philanthropy," but are instead sending their gifts to beneficiaries of their own choice (Frumkin 1997; Wuthnow 1988; McNamara 2000).

The issue of donor control is examined through attention to one critical arena of the nonprofit sector: workplace charity. Last year, gifts made by donors within the workplace totaled over \$4 billion and served as the largest single source of funds for the health and human services. Workplace charity allows for the analysis of the phenomenon of donor control. Traditionally, donors have made a gift to the United Way, entrusting it to disperse their contribution to the local community. Donors possessed no control over how their gifts were distributed. Today, in contrast, many individuals are making this decision for themselves based on their own identities, interests, and concerns, directing their workplace contributions to a large and disparate body of nonprofits. Now, the United Way does not necessarily decide how gifts raised in the workplace are distributed, donors may do so.

This change in workplace charity is generally attributed to the emergence of a new donor. The dominant explanation for this shift, an explanation put forth by scholars of philanthropy and active participants in the field, hones in on the desires and demands of donors themselves. In this view, today's donors are different than before. The decline of the community has helped to create a new type of donor who no longer wishes to entrust their gift to centralized professionals but instead wants to give to specific causes and issues (White 1989; Berman 1994; Walter 1997; United Way of America 2000).

However, patterns of workplace giving do not quite fit with this explanation. There is a striking amount of variation in how employees donate across communities: in some cities, the United Way allows individuals to earmark their contributions, in others they do not. This variation suggests that an explanation that relies solely on donors' motivations is not adequate in itself. If a "new donor" has emerged, why do employees' ability to choose differ across communities? More generally, how can we explain variation in patterns of donor control across locales?

To address this question, the paper draws on a logistic regression analysis of United Way policies in 201 communities. I find that variation in donor control is explained only in part by donors' demands. Donors matter, but only in limited and complex ways. The scope of donor control is determined by the composition and dynamics of the organizational field in which donors are located. Fund-raisers grant

control to donors when facing not only donor demand but also competition for charitable resources. Donor control constitutes a proactive response by nonprofits to environmental challenges. In short, it is not simply what donors want, it is what nonprofits let them do.

**Paper Number:** PA051016

**Paper Title:** An Exploration on Individual Giving and Volunteering in Korea: Focus on the Relationship with Trust

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### **Summary of Research**

In Korea, giving and volunteering by citizens has increased significantly. However, little has been known about current phenomena and changes. This paper will report current level of giving and volunteering by citizens in Korea based on a national survey data biannually conducted from 2001. In addition, this paper will analyze the citizens' giving and volunteering by using multivariate analysis methods such as multinomial logistic regression (on level of giving and level of volunteering) and simultaneous equation model (on giving and volunteering; giving and social trust; and volunteering and social trust).

### **Description**

Efforts to identify the degree of individual giving and volunteering in Korea have been conducted by the Beautiful Foundation since 2001. Such efforts are very meaningful in identifying directions to upgrade Korean giving culture as well as in developing knowledge concerning individual giving and volunteering. This paper attempts to explore and describe the degree of individual giving and volunteering in Korea by using the data surveyed by the Beautiful Foundation and the Research & Research. This paper attempts to identify (1) the degree of individual giving and volunteering, (2) the range(lower bound and upper bound) of individual giving and volunteering with considering missing data, (3) factors influencing on participation for individual giving and volunteering, and (4) the bilateral relationship between individual philanthropic effort and social trust as well as the bilateral relationship between individual philanthropic effort and volunteering by using simultaneous equation model. The results of data analysis are as follows.

#### **a. The Degree of Individual Giving**

Among 1011 respondents, 64.3% had individual giving in 2003. In the total amount of giving excluding religious giving, the mean was 57,900 Won. In the total amount of giving including religious giving, the mean was 179,000 Won. When focusing on 64.3% of the respondents who had giving in 2003, the mean of the giving including religious giving was 250,517 Won and the mean of the giving excluding religious giving was 904,000 Won. In the amount of total giving by the respondents and their spouses, the mean was 249,000 Won.

In the degree of individual philanthropic effort by the standard of family income, the mean of the effort including religious giving was 0.6673% and the mean of the effort excluding religious giving was 0.0556%. When considering the respondents and their spouses who had giving in 2003, the mean of the effort was 0.9817%.

#### **b. The Degree of Participation for Volunteering**

Among 1011 respondents, 16.8% had volunteering activities in 2003. In the total hours of volunteering, the mean of volunteering hours including religious volunteering was 8.12 hours and the mean of volunteering hours excluding religious volunteering was 7.38 hours. In the amount of total volunteering hours by the respondents and their spouses, the mean was 18.17 hours. When focusing on 16.8% of the respondents who had volunteering in 2003, the mean of volunteering hours including religious volunteering was 46.40 hours and the mean of volunteering hours excluding religious volunteering was 44.69 hours.

#### **c. The Range of Giving and Volunteering: Lower Bound and Upper Bound**

When including religious giving, the lower bound was 165,400 Won and the upper bound was 168,050 Won. When excluding religious giving, the lower bound was 65,020 Won and the upper bound was 67,670 Won. On the other hand, in the amount of total giving (including religious giving) by the respondents and their spouses, the lower bound was 263,450 Won and the upper bound was 265,780 Won. In the amount of total giving (excluding religious giving) by the respondents and their spouses, the lower bound was 131,460 Won and the upper bound was 133,790 Won.

#### d. Factors on Participation for Individual Giving,

The result of multinomial logistic regression analysis about participation for individual giving showed that the participation for individual giving in comparison with no interest category for giving is related to experience in school years for giving(+), social trust(+), respondents' income(+), residence area-metropolitan area and middle size city(+), lower education and high school education(+), house wives(+), married(+), and individual volunteering(+). The participation for individual giving in comparison with participation willingness category about giving is related to students(-), lower education(+), house wife(+), unmarried(+), and married(+). The participation willingness for individual giving in comparison with no interest category about giving is related to experience in school years for giving(+), social trust(+), respondents' income(+), students(+), and high school education(+).

#### e. Factors on Participation for Volunteering

The result of logistic regression analysis about participation for individual volunteering in comparison with no participation category for volunteering is related to religion(+), marital status(+), age(+), participation for individual giving(+), and experience in school years for volunteering(+). Christianity, Catholic, and Buddhism have overall positive effects on participation for volunteering; each of married and unmarried has a positive effect on participation for volunteering; age has a positive effect on participation for volunteering; each of participation for individual giving and participation willingness for individual giving has a positive effect on participation for volunteering; and experience in school years for volunteering has a positive effect on participation for volunteering.

#### f. The Bilateral Relationship between Individual Philanthropic Effort and Social Trust

The result by the simultaneous equation model about the bilateral relationship between individual philanthropic effort (measured by the proportion of philanthropic giving from the total family income) and social trust showed that individual philanthropic effort is bilaterally related to social trust in the positive direction. There is no noticeable difference between two stage least squares method and three stage least squares method.

#### g. The Bilateral Relationship between Individual Philanthropic Effort and Volunteering Hours

The result by the simultaneous equation model about the bilateral relationship between individual philanthropic effort and volunteering hours showed that individual philanthropic effort is not bilaterally related to volunteering hours.

The results provide empirical backgrounds for discussing major characteristics of current giving and volunteering in Korea. Indeed, this paper provides new meaningful variables for further investigation: giving and volunteering experiences in school years and social trust. In addition, this paper identifies the possibility of the bilateral relationship between individual philanthropic efforts and social trust that should be continuously and more systematically investigated. Contributing to promoting understandings about individual giving and volunteering in Korea, this paper discusses directions of research concerning giving and volunteering in Korea.

**Paper Number:** PA051017

**Paper Title:** Knowledge management and organizational capacity: The case of communities of practice in volunteer management

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### **Summary of Research**

Knowledge management (KM) confers organizations the capability to adapt to a changing environment, thereby providing a strong competitive advantage. KM is also an appealing tool for non-profits, in need of low-cost solutions to fight against budgetary constraints. This is especially true for volunteer management, often understaffed and overlooked in its development. This paper discusses how the routine use of communities of practice (CoPs) can allow organizations to tap into their implicit knowledge, create new knowledge, enhance its flow, produce innovative solutions and ultimately build low-cost organizational capacity.

### **Description**

Issue overview

In the last two decades, knowledge and its management have been recognised as source of competitive advantage for any kind of organization (Senge, 1993). Surprisingly, most sources of organizational knowledge are still untapped and dispersed in various departments, even in many for-profits (Wenger, McDermott, & Snyder, 2002). Since the overall practice of knowledge management (KM) in for-profits and non-profits are very similar (Román, Ribière, & Stankosky, 2004), building an organization with business knowledge of the third kind, also known as an evolutionary corporation (Natrass & Altomare, 1999), is a sustainable solution also for non-profits (Hurley & Green, 2005), in that “the company that acts like a living organism will naturally be a learning organization absorbing and reacting to information in an evolutionary manner” (McIntosh, Leipziger, Jones, & Coleman, 1998, p. 74-75). In order to be successful, generation, acquisition and sharing of knowledge are paramount (Román et al, 2004).

Many tools are available for KM purposes, depending on which type of knowledge is to be tapped into (implicit, explicit or both; as defined in Polyani, 1967), which KM generation is to be fostered (knowledge sharing, knowledge creation or both; as defined in McElroy, 2000), and which kind of organizational culture is to be adopted (as defined in Cameron & Quinn, 1999). The most versatile among these tools is Lave’s and Wenger’s communities of practice (1991).

Brief literature Overview

Volunteer Management (VM) and KM. KM in VM is just at its beginning but, for the main part, it is based on a resource and/or information management approach, in which resources are stored and volunteers trained in explicit knowledge. Even existing online volunteering programs, traditionally more prone to KM, are organized around resource building (Ellis & Cravens, 2001) while informal online volunteering “programs” successfully behave like CoPs (Moon & Sproull, 2000; Sewly Brown & Duguid, 1991). Resource and/or information management approaches reflect the kind of knowledge flow they elicit. According to Hansen, Nohria, & Tierney (1999), KM taxonomy distinguishes between “codification”, a people-to-document approach, and “personalization”, a people-to-people one. Bentley noted how the periodic training of staff and volunteers enhances organizational capacity (2002) but, because of budgetary constraints, volunteer management as practiced does not invest enough in such training (Hager & Brudney, 2004). Furthermore, professional standards in managing volunteers mandate volunteer managers to not just address the development of singular volunteer skills, but give them practical training and enable group learning (Management of Volunteers National Occupational Standards, 2004).

Even if volunteers would be trained as they should, it would not be enough because some of the most valuable assets in volunteering stem from implicit knowledge that, as such, can not be codified in

procedures, stored or otherwise conveyed through traditional training or resource management. Sharing tacit knowledge involves considering knowledge as a living process that improves our expertise via interaction with other persons with similar interests in a given practice, which basically is the definition of what a CoP does.

CoPs. CoPs are spontaneous self-organizing “groups” of volunteers structured into (a) a domain, (b) a community, and (c) a practice. The domain is the interest a community engaged in a practice has (Wenger, 1998). Even if the name “community of practice” is relatively new, the concept is old and dates back to apprenticeship (Lave & Wenger, 1991). CoPs have some peculiar characteristics, such as common values (very similar to how Cameron and Quinn defined organizational culture in 1999: “taken-for-granted values, underlying assumptions, expectations, collective memories, and definitions present in an organization”), interest for learning (Wenger et al., 2002), need for trust (especially in virtual environments, see Kimble, Hildreth, & Wright, 2001; Preece, 2004) and different levels of member participation (Wenger & Lave, 1991). Their structure and characteristics make them not suitable for all organizations, because they need active facilitation, organizational support and loose hierarchies (Allee, 2000; Hurley & Green, 2005).

CoPs are especially suitable for exchanging implicit knowledge, even when virtual (Dubé, Bourhis, & Jacob, 2003, 2004; Hildreth & Kimble, 1999; Hildreth, Kimble & Wright, 2001).

#### Presentation approach

The focus of the proposed presentation will be to provide people with an overview of how structures and characteristics of a CoP relate to managing volunteers and can espouse it in implementing KM solutions. Online volunteer management through virtual CoPs will also be explored. In the specific, this presentation will deal with how to implement a CoP for VM purposes and the role volunteer managers can play as coordinators of such communities in order to produce first and second generation KM interventions. The theoretical framework will include KM, VM and CoPs publications and research (some of them are referenced below). Building on Bentley’s first generation KM approach to CoPs in the voluntary sector, this presentation will show how CoPs can contribute to VM through exploiting existing, untapped, resources with high cost-effectiveness and information generation and flow. Practical suggestions for strategies will be drawn on past and present implementations (such as UNESCAP, SNV, World Bank and Alliance for Children and Families) and a pro/con detailed analysis (Millen, Fontaine, & Muller, 2002) will recap the issue.

#### Contribution to the field

Volunteer managers could fail to take full advantage of the personalization nuance of the organizational culture underlying the KM process, whose social nature makes it particularly close to VM. Since the increasing need for finding better ways to tap into pre-existing volunteer knowledge, both explicit and implicit, volunteers can also be stimulated to produce new knowledge in order to enhance organizational capacity and sustainability. Communities could be better served by non-profits gearing their management approaches onto fostering production of sustainable self-organizing social networks, able to share all types of knowledge and thereby more likely to produce non-mainstream innovative solutions.

In both small and large non-profit organizations, the routine institution of CoPs could stretch organizational limitations and overcome budgetary constraints. In this light, online volunteers could be facilitated to form CoPs by the egalitarian interaction that is the hallmark of computer-mediated communication.

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**Paper Number:** PA051018

**Paper Title:** Interorganizational Relationships: A Source of Innovation in Nonprofit Organizations?

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### **Summary of Research**

Forming interorganizational relationships (IORs) has become a popular alternative approach among nonprofit organizations to developing competitive advantage and increasing innovative capacity. This study examined the nature of IORs in a sample of 39 nonprofit organizations. Specifically, it assessed the effects of four components of interorganizational relationships: resources, information, technical assistance, and work and/or client upon three types of innovations: administrative, product, and process. The results indicated that the effects of IORs on innovation vary by innovation type. Implications of the study for research and nonprofit management are discussed.

### **Description**

The US nonprofit sector is currently at a crossroads due to the several challenges - fiscal, economic, effectiveness, legitimacy, and others. To survive, nonprofit organizations must seek to become more innovative and find the alternative ways to stay competitive. Since it is becoming more difficult for them to compete successfully alone, one of the alternatives for gaining competitive advantage and enhancing organizational effectiveness is through the formation of interorganizational relationships (IORs) with government organizations, private businesses, and other nonprofit organizations.

While the potential of IORs to affect an organization's capacity to innovate has been recognized in the scholarly literature, empirical evidence to support this proposition is scarce. Furthermore, the exploration of potentially different effects of IORs on various types of innovations is lacking.

This study sought to fill in this gap as it examined the relationship between IORs and different types of innovations. More specifically, it assessed the effects of four components of IORs: resources, information, technical assistance, and work on three types of innovations: administrative, product, and process in a sample of 39 nonprofit organizations. Data was collected using variety of techniques: semi-structured interviews, surveys, and organizational documents.

□ The results of this study showed that total number of innovations variable was significantly correlated with two IORs components – the work and the technical assistance. Administrative innovation was related only to the technical assistance component, which suggests that consultation and staff services received from other organizations contributed to innovations in organizational administrative processes and organizational structure. Positive relationships between product innovations and the work and the technical assistance components indicate that organizations with more partners in those two components introduced more new types of services or goods than those with fewer partners. There were no significant correlations between process innovation and any of the IORs' components.

The findings suggest a number of implications for nonprofit management. First, nonprofit managers should seek to learn more about the different forms of partnerships and how they could be used to optimize service provision by their organization. Furthermore, since this study showed that the organizations partnered with different types of organizations, it is important that managers have a good knowledge of specifics of cross-sector partnerships as they differ in their dynamics from the same-sector partnerships. They also need to learn how to find and work with partners. Some system for specifying concrete areas for potential collaborations and listing the organizations interested in partnering in those areas may be developed, which would help managers locate potential partners. Finally, since the results showed that the effects of IORs on innovation may vary by innovation type, nonprofit managers should think in advance what innovative activities they would like to implement and choose the areas for IORs accordingly. By sharing their resources and expertise with other organizations, nonprofit organizations will be able to develop adequate services to those in need and sustain their own survival.



**Paper Number:** PA051020

**Paper Title:** Love Thy Neighbor: The Role of Faith in Volunteer Motivation

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**Summary of Research**

Although many studies have demonstrated a relation between religiosity and volunteering, this research has generally examined either all people or members of faith communities, rather than focusing on those who volunteer. In addition, some studies have found a weak correlation. Are the connections between religion or faith and volunteering found mainly in the context of the congregation and religious organization? Or do these connections extend to the rest of the community? This study surveyed volunteer award winners to assess the motivations of awardees and the role faith of in the motivations in award-winning volunteers.

**Description**

Although many studies have demonstrated a relation between religiosity and volunteering (Greeley, 1997; Hodgkinson, Weitzman, & Kirsch, 1990; Lam, 2002), this research has generally examined either all people or members of faith communities, rather than focusing on those who volunteer. In addition, some studies have found a weak correlation (Wuthnow, 1990) or no correlation (Hunter & Linn, 1980).

These differences seem to be caused by two factors—the conceptualization and operationalization of religion and the forms of volunteering. Are the connections between religion or faith and volunteering found mainly in the context of the congregation and religious organization? Or do these connections extend to the rest of the community?

Wuthnow (1999, p. 352) maintains that much of this higher rate of volunteering is for church-supported activities, and that religious influences and attendance are most pronounced within church-related volunteering. His analysis of the Independent Sector's 1994 Giving and Volunteering Survey found that much of the volunteering, especially among evangelical Christians, was concentrated within congregations themselves and devoted to the maintenance of these congregations.

In contrast, Hodgkinson (1990) argues that churches inspire a desire to help that moves people beyond the church setting. She maintains that "religious institutions foster philanthropy and voluntarism, both within their own communities and generally for other causes, including community and public service. ... Religious association is capable of inspiring social reform and experimenting with meeting human needs. The experiments of religious organizations in housing, community development and international relief and development are but a few of the more profound recent examples available in social reform."

In Hodgkinson's model, we would expect several things: that there would be a relation between faith and informal volunteering; that religious volunteers would volunteer for more than just their church; and that award-winning volunteers would be more likely to be religious than the general population. We examine these issues to determine how faith relates to motivations to volunteer.

This study surveyed the winners of more than 1,100 Daily Point of Light Awards since 1998 and more than 150 President's Community Volunteer Awards since 1992 to assess the motivations of awardees and the role faith of in the motivations in award-winning volunteers..

A draft instrument was developed by the project team, using multiple sources for the measures for religiosity, voluntarism, motivations to volunteer, and family influences. An Advisory Board of representatives of various religious traditions was then convened to review the draft survey instrument and suggest improvements, which were incorporated into the instrument. The first mailing of the surveys took place on January 22, 2004. A follow-up mailing took place on February 26, 2004. Our overall response rate was 38 percent (525 surveys returned from a total of 1,386).

We measured three different types of religiosity: religious involvement, religious activity, and professed closeness to God or spirituality. Religious involvement is measured by membership in a place of worship, education in a religious school (one point for each level—elementary, middle or high school, college, or after school or weekend classes), and level of having family and friends of religious affiliation or faith background. Religious activity is measured by how often the person attends religious services, prays or reads religious texts, practices religious rituals at home, takes part in any activities of a place of worship (other than attending services), and takes part in any of the activities or groups of a religion or faith service organization (such as Knights of Columbus or Hadassah). Most people, even if not involved in organized religion, profess to be spiritual persons. Spirituality is measured by how close the person feels to God (Hill and Pargament, 2003) when they are: performing acts of kindness, watching a beautiful sunset, performing religious traditions at home, mediating alone, and participating in a religious community through communal worship, celebration, memorial or ritual.

There are also different ways to measure levels of volunteering. Both formal volunteering (for an organization) and informal volunteering (helping out by running errands, doing yard work, etc., for people not living with you) are important to measure (Wilson and Musick, 1997). In addition, we measured total hours dedicated to either informal or formal volunteering as well as the number of different volunteer activities (either by type of organization for formal or by type of activity for informal volunteers).

Roger Lohmann (1992) conceives of the nonprofit world as a “commons” in which volunteers can seek and find like-minded individuals and organizations who share their values and concerns, for example, for fairness, sharing, mutuality, understanding, salvation, or love of others. Ultimately, voluntarism results from an overflowing of the need many people have to express themselves that compels them to act (Mason 1996, p.18). What motivates these volunteers? And how do those motivations relate to their religiosity?

Six motivations that can be satisfied by volunteering were measured (social, values, career, understanding, protective, and esteem) for each respondent (Clary, Snyder, and Ridge 1992). Three measures of public service motivation developed by Perry (1997), including commitment to public interest/civic duty, compassion, and self-sacrifice, also were measured. Clary’s volunteer motivation scale and Perry’s public service motivation scale have been tested and attain high reliability and validity. In addition, we added two survey items to measure “religious motivation:” volunteering is a practice encouraged by my religious beliefs, and it is my obligation to help others in need. These items were suggested by our advisory panel as a way to measure one conception of why people help each other—it is their mandate of their faith to do what they can to make the world a better place for all people.

A small, heterogeneous sample (n = 26) of award recipients encompassing substantial variation on demographic characteristics were selected for in-depth interviews to determine their goals, values, how they developed their volunteer commitment, and the role their faith played in their volunteer commitment. This qualitative information supplements the data obtained from the surveys and ensures that this report truly reflects the various motivations to volunteer. The interviews were modeled on research conducted on moral commitment (Colby and Damon, 1992).

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**Paper Number:** PA051022

**Paper Title:** From Bankruptcy to Sustainability: Stakeholder Engagement and Strategic Renewal in a Performing Arts Organization

**Author(s):**

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**Summary of Research**

The Calgary Philharmonic Orchestra illustrates how an organizational-wide visioning process can be utilized to leverage and unleash the forces of change. This case demonstrates extensive use of visioning and strategizing groups, broad participation visioning processes, new governance and operational models, market-focused audience development and the commitment to try new approaches. This paper contributes an understanding of the relevance and benefits of meaningful stakeholder engagement for strategy renewal in nonprofit organizations; an overview of a transformational process and actual outcomes and an overview of the ways this approach can have a practical, sustaining impact.

**Description**

Problem or issue to be addressed: In recent years, the number of symphonies and orchestras that have been forced to close their doors has steadily increased. Unable to survive the changing North American environment that has become more and more difficult to thrive in, performing arts organizations have either had to succumb to financial pressures and cease operations or adapt in non-traditional ways to the shifting marketplace. In the past three years a number of orchestras have been forced to disband, yet, there are also those orchestras that have faced the same challenges and come back even stronger. In late 2002, the Calgary Philharmonic Orchestra (CPO) was one of the premier Canadian arts organizations facing the threat of dissolution. However, by undertaking an intensive Renewal Process that involved the collaborative efforts of musicians, staff and Board members, over the span of seven weeks and 8,000 hours, a comprehensive Renewal Plan was developed by the CPO which enabled the organization to pick itself up and overcome the similar challenges set before all orchestras and symphonies across North America.

State of knowledge in the field: Many nonprofit organizations think about strategic planning as a once-a-year activity to be undertaken by the Board in consultation with senior management. However, for fundamental paradigm shifts to occur within the organization and for successful implementation leading to organizational sustainability, 'engagement' must replace 'consultation' and a broader team of stakeholders must be involved in evaluating, updating and implementing the strategic direction and supporting strategies.

The approach presented in this paper: The Calgary Philharmonic Orchestra illustrates how an organizational-wide visioning process can be utilized to leverage and unleash the forces of change. This case demonstrates extensive use of visioning and strategizing groups, broad participation visioning processes, new governance and operational models, market-focused audience development and the commitment to try new approaches.

This paper contributes:

- An understanding of the relevance and benefits of meaningful stakeholder engagement for strategy renewal in nonprofit organizations.
- An overview of a transformational process and actual outcomes.
- An overview of the ways this approach can have a practical, sustaining impact.

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#### SHORT BIOS OF AUTHORS

Donna S. Finley, MBA (IMD), is a Principal at Framework Partners Inc., a business-management firm based in Calgary, Alberta, Canada that specializes in helping organizations adapt to changing markets and achieve improved competitiveness and performance. She brings with her over 25 years of experience in business management and has held numerous roles in multiple non-profit organizations. Donna is co-author of a textbook on strategic planning used at the undergraduate and post-graduate level in universities across North America, published several journal articles and has presented papers at both academic and practitioner conferences.

Violinist Alana Gralen obtained her Bachelor of Music in Violin Performance from Northwestern University in 1979. She has performed in the first violin sections of the Grant Park Symphony in Chicago and the Regina Symphony. She currently plays in the first violin section of the Calgary Philharmonic Orchestra, which she joined in 1982. Alana teaches violin privately and performs with the chamber group Fra Amici. She is Chair of the Calgary Philharmonic Players Association and a member of the Board of Directors of the Calgary Philharmonic Society.

**Paper Number:** PA051025

**Paper Title:** Outcomes of service in the lives of faith-motivated volunteers: Why community leaders need to care

**Author(s):**

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**Summary of Research**

Explores the consequences of involvement in five types of community ministry for congregational volunteers, both individuals and families. Reports findings from a survey of 7403 church members from 32 Christian congregations, an additional survey of 946 active volunteers, as well as in-depth interviews with 29 congregational leaders, 25 individual volunteers, and 16 families volunteering in their communities. Concludes with implications for congregational leaders and social service professionals who lead volunteers.

**Description**

The problem to be addressed:

Much of the current public emphasis on faith-based services sees faith as an independent variable. That is, volunteers and faith communities bring "faith" as an element in services that have some impact on the effectiveness of services rendered (e.g., Trulear, 2000). The literature from within the church, however, suggests that faith and service are in a dynamic, transactional relationship with one another: faith is also a dependent variable. Not only does faith motivate the service of the faithful, but that service in turn has the potential for deepening and transforming faith. That potential can in turn lead to a greater commitment to service, compassion for those who suffer in unjust social systems, and the potential for more radical engagement in the community. In order for that potential to be realized, however, those who work with volunteers—whether leaders in the congregations or social workers in social service agencies—need to focus not only on meeting the needs of the recipients of service in the community, but also on understanding the outcomes of service for volunteers themselves.

State of knowledge in the field:

Congregational life appears to provide a consistent positive influence on volunteering; church attendance is the best general predictor of involvement in volunteer service (Gerard, 1985; Greeley, 1997; Hoge, Zech, McNamara, & Donahue, 1996; L. D. Nelson & Dynes, 1976; Park & Smith, 2000; Smith, 2004; Wuthnow, 1995). Those who attend more than once per week spend far more hours each month (5-9 hours) volunteering than those who attend only once a week or less (0-5 hours) (Hoge et al., 1996). Other factors that positively predict volunteering, when contrasted with non-volunteers, include: more education (Chambre, 1984); higher socioeconomic status (Gronbjerg & Never, 2002; Park & Smith, 2000); less than full time work status (although retirement has no impact) (Gronbjerg & Never, 2002; Park & Smith, 2000); being married rather than single (Uslaner, 2002); previous volunteering experience (e.g., people who have not volunteered before retirement do not on their own tend to begin volunteering once they retire) (Caro & Bass, 1997; Chambre, 1987; Dye, Goodman, Roth, Bley, & Jensen, 1973); a religious identity passed on from parents (Park & Smith, 2000); altruistic rather than self-promoting motivations for volunteering (Clary, Snyder, & Stukas, 1996; Wuthnow, 1991); more reflective in disposition, less concerned with material aspects of life, and with a greater need for contemplation and prayer (Gerard, 1985); better health and a greater preference for active pursuits rather than spending long periods watching television (Gerard, 1985); forgiving of others (Wuthnow, 2000); and—simply—someone asked the potential volunteer to become a volunteer (Bowman, 2004; Park & Smith, 2000; Roehlkepartain, Naftali, & Musegades, 2000)

Those factors that appear to sustain volunteer involvement have been studied far less. A few research studies suggest that they include: being connected with others who are volunteering (Cnann, Boddie, Handy, Yancey, & Schneider, 2002; M. C. Nelson, 1999); receiving multiple forms of social support for the volunteer activity (Ashcraft & Kedrowicz, 2002); and the opportunity to develop genuine relationships with service recipients (Lawrence, 2000). Finally, and perhaps most importantly, volunteers need a language to talk about their motivations for serving. Wuthnow (1991) interviewed dozens of adults involved in voluntary service and concluded it is just as important to have a language to interpret one's motives as it is to have the time and resources to actually volunteer.

This study explores the various characteristics of the volunteer experience itself, and the impact of these characteristics on the lives of volunteers.

### The Study

In order to understand the variables that contribute to impact on the lives of volunteers, this project involved a purposive sample of 35 congregations located in four regions of the United States—Michigan (n=8), South Carolina (n=8), Texas and Louisiana (n=13), and Southern California (n=6). As a result, 7403 church members completed a congregational survey. A second survey was administered to a subgroup of 946 active volunteers. In addition, the research team conducted in-depth interviews with 29 congregational leaders, 25 individual volunteers, and 16 families volunteering in their communities.

Volunteers in these congregations are involved in quite an array of community service programs, with less than half taking place on the campus of their own church facility. These are not simply occasional one-shot service projects; 60% are involved at least weekly in the programs they serve. The results of volunteer can be characterized as increased personal knowledge (of self, of faith, of the service context), changed attitudes and values, changed faith and religious beliefs, and changed behaviors of volunteers and volunteer families. In addition, volunteers and congregational leaders described the impact of community service on internal congregational dynamics and congregational relationships with the larger community.

### Contribution to the Field

The study provides congregational and community service leaders with a typology of the characteristics of various volunteer experiences and their varying impact on the volunteers and their congregation. It suggests ways volunteer opportunities can be shaped to more effectively increase commitment to service, compassion for those who suffer in unjust social systems, and the potential for more radical engagement in the community.

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**Paper Number:** PA051028

**Paper Title:** Human resources support provided by UK voluntary sector infrastructure organisations

**Author(s):**

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**Summary of Research**

In 2004, NCVO did some research on behalf of the Workforce Development Hub, a consortium of organisations funded by the UK Government's ChangeUp fund. The research looked at the Human Resource (HR) services that infrastructure organisations provide to their clients or members. Several issues were identified, including that organisations often approach their local infrastructure body with an HR problem when it is so advanced that it is difficult to fix. The research findings resulted in a number of recommendations for improving the sector's ability to provide HR support, which will help inform the Hub's work programme over the coming years.

**Description**

**Background**

Throughout the summer of 2004, NCVO carried out some research into the human resource (HR) services that voluntary sector infrastructure organisations offer to their clients or members. It looked at the HR issues they offer support on, how they do this, the problems they encounter, how these services are funded and how they reach their target audience. The aim of the research was to help to develop a strategy for the Workforce Development Hub, a consortium of organisations funded by the Government's ChangeUp fund. The research consisted of a questionnaire, sent to national, regional and local infrastructure organisations in England, and seven follow-up telephone interviews.

**The findings**

The most common HR issues that infrastructure organisations offer direct support on are: volunteer management (74%); equal opportunities and diversity (74%); and training, development, supervision and appraisal (71%). At the other end of the spectrum is HR strategy and workforce planning, with only a third (34%) of infrastructure organisations offering support on this issue.

By far the most popular way of providing direct HR support is one-to-one advice. This is unsurprising, as usually this kind of support is provided in response to a telephone query, so organisations are simply responding to clients' requests for help. Referring people to other sources of information is also a very popular way of offering support. This makes sense for those organisations who don't feel they have the expertise or resources to offer direct support.

We can roughly divide the different forms of support into proactive and reactive methods. As a rule, infrastructure organisations are more likely to provide support on a wider range of issues using reactive methods (like responding to telephone queries, and referral to other sources) than by proactive methods (like training courses and email updates). This could be because organisations are unlikely to actively offer HR services unless they feel properly qualified, but many will be happy to respond to requests for help in a relatively informal way.

Over two thirds (68%) of respondents pay for some or all of their HR services out of core funding, with 19% receiving specific grant or contract funding to deliver their service, and 7% charging directly for some of their services. As a rule, those who are funding their services out of core funding are most likely to be offering services reactively. Those who are fortunate enough to receive external funding are more likely to be offering a service more proactively.

Many infrastructure organisations that provide HR services choose not to advertise their services to

their clients. For some this is because news spreads via word of mouth, or because they feel that their clients already know about the services they offer. For others, it is because they know that if they did attract more clients they would be unable to provide a quality service in the absence of additional resources.

Some respondents told us that client organisations were reluctant to be referred on to other sources of advice, as they were worried that they would get "found out" if they had made an error or oversight. Instead, many prefer direct, personal, informal advice from their local infrastructure organisation.

The majority of respondents were delivering services to maximum capacity: phrases like "treading water" and "fighting fire" were common, suggesting that organisations felt they could never quite do enough to meet demand. However, they had plenty of ideas about what they would do if they had more resources!

What next?

The research findings lead to a number of ideas about what could be done to help improve the UK voluntary sector's HR support. The suggestions take account of the fact that limited resources will continue to be a reality for the voluntary sector.

One idea is to create a national HR website which would be accessible to the whole sector. It would act as a direct source of information, help infrastructure organisations to give advice, act as a sign-post to other sources, and be a forum for sharing best practice and ideas. This will reduce duplication, and mean HR support can be offered more efficiently by those suitably qualified to do so. We should also be encouraging greater standardisation of the support that is being provided, particularly as relatively few infrastructure organisations have a qualified HR person. It is important that infrastructure organisations which are not qualified to provide HR support, or who feel they haven't got adequate resources to be able to provide HR services properly, feel able to say "No" with confidence, and while knowing exactly where to send clients for appropriate help.

Finally, we need to encourage and enable a "stitch in time" culture, which sees organisations thinking in advance about HR issues, and budgeting adequately for staff training and development, thus avoiding HR crises at a later date.

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**Paper Number:** PA051030

**Paper Title:** Identity of a Korean Immigrant-Based Nonprofit Organization: A Case Study

**Author(s):**

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**Summary of Research**

This paper explores some of the complexities that immigrant based human service face in dealing with issues of identity related to changes in their internal and external environments and their organizational “culture”. My paper presents a case study of one immigrant serving, locally based community organization, to illustrate the kind of dilemmas such organizations face in adapting to changing environmental forces and population needs. My specific case example is based on content analysis of organizational reports, in-house documents, newspapers; it also includes narrative analysis of selected personal interviews with key respondents.

**Description**

The Identity of a Korean Immigrant-Based Nonprofit Organization

**Abstract**

In the past decades since the new immigration law of the 1960s, as much as 6,989,400 immigrants have come to the United States from Asia. The large number of Asian immigrants is requiring immigrant-based organization to change in order to meet the needs of the new immigrant populations. This paper explores some of the complexities that immigrant based human service face in dealing with issues of identity related to changes in their internal and external environments and their organizational “culture”.

Albert and Whetten defined organizational identity as what is central, distinctive, and enduring about an organization (Albert, 1998). According to Young, “nonprofit organizations must know who they are to make successful strategic and structural choices. At the same time, the flexibility of form allows nonprofits to choose who they are, often from among several possible “organizational identities.” (Young, 2001). Based on these concepts of organizational identity, this study examines how an immigrant based nonprofit organization is constructed by local communities, including the location of services, goal, mission, culture, and etc. My paper presents a case study of one immigrant serving, locally based community organization, to illustrate the kind of dilemmas such organizations face in adapting to changing environmental forces and population needs.

I begin by reviewing some existing theories of organizational identity. I examine the concept of organizational identity; perspectives of organizational identity, and differences between individual and organizational identity, as a theoretical foundation for an immigrant based organization study. Secondly, I examine the history of a specific Korean immigrant-based nonprofit organization in a city with a large population of Korean immigrants. I will analyze changes in the identity of this immigrant-based organization as it adapts to changing circumstances. In this case study, I will also discuss the organization’s interaction with other organizations, its mission and goal, as well as issues of coalition-building, boundaries, culture, broader community relationships.

In sum, I use a case study methodology to consider how the identity of an immigrant-based non-profit organization has changed over time, and to analyze the factors that have facilitated or deterred effective change. My paper includes a review of organizational literature and in particular the literature on organizational identity. My specific case example of one local Korean immigrant organization is based on content analysis of organizational reports, in-house documents, newspapers; it also includes narrative analysis of selected personal interviews with key respondents.

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**Paper Number:** PA051031

**Paper Title:** Getting Results: The Challenges in Evaluating Partnership-Making to Build Capacity in Children's Services

**Author(s):**

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**Summary of Research**

This paper is concerned with the various ways in partnership-making in children's services can be understood, evaluated and acted upon through linking research, practice and policies. A critical examination of the impact partnerships have on nonprofit child-serving organizations is necessary given current pressures and demands. This paper is particularly concerned with the ideas of expectations and outcomes, and offers a conceptual foundation of how the outcomes of partnerships can be effectively measured given the expectations of a diverse and complex environment.

**Description**

During the past decade, many child serving agencies have partnered to build capacity within the sector. This activity is largely based on good will with limited attention to the responsibilities, accountabilities and liabilities of each relationship. The importance of inter-organizational connections is regularly documented in strategic and business plans and organizational value statements. Funding is increasingly contingent on coming to the table with your partners. As a result, countless complicated relationships are created and many scarce resources are devoted to partnership-making. Along with this trend toward partnering is the underlying assumption that partnering will contribute to providing seamless service delivery, demonstrate fiscal responsibility and lead to a reduction of program duplication. However, do partnerships really build capacity in the delivery system, lead to more efficient operations and contribute to better outcomes for children? How can one measure the impact partnerships have in building capacity in children's services?

Nonprofit organizations are increasingly under pressure by stakeholders to measure the responsiveness and impact partnerships have in building capacity. The concern for accountability and implications for policy is being fuelled by many factors internally and externally imposed (Philips & Graham, 2000). The requirement to perform effectively and efficiently is nothing new, but the pressures to measure and get results has increased. As a result, nonprofit organizations are increasingly forced to ask questions such as:

1. Is this service really needed in the community?
2. Can this service be provided at a cost that makes sense?
3. Does this approach of partnering offer some competitive advantage over other ways of doing it?
4. Is there a strategy in place to achieve success, and
5. How can we measure the benefits of this service (Broadbent, 2001)?

Most of the literature on partnerships is descriptive in nature. There are reports describing what it takes to create a partnership, the importance of leadership, the lessons learned about success and failure. A smaller collection is prescriptive and offers guidelines and frameworks for partnership creation. However, there are very few studies to guide best practices, offer a conceptual foundation upon which to negotiate and build partnerships, or how to measure outcomes, which tend to be less clear, or less tangible (Broadbent, 2001; Torjman, 1999).

Using a case study approach, this two-year federally funded research project investigated how

partnerships are created, maintained, evaluated and perceived by stakeholders to better understand the experience of partnering and to conceptualize the partnership process and assess its impact. Lincoln and Guba's (1985) case study format outlining the problem, context, issues and lessons learned was applied and the qualitative software tool AtlasTI was used to aid data analysis.

The findings show that partnership-making is difficult, sometimes unsuccessful, always complex, and difficult to evaluate. By outlining the procedures best followed, the challenges to be negotiated, the reasons for success and sustainability, and the need to establish evaluative measures, the study links research, practice and policies for partnership-making in children's services.

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**Paper Number:** PA051032

**Paper Title:** Linking Theory to Practice: The Challenges of Recruiting & Managing Disabled Volunteers.

**Author(s):**

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**Summary of Research**

By drawing upon data collected as part of an empirical study analysing the experiences of physically disabled volunteers, this paper focuses on the distinct challenges associated with recruiting and managing disabled volunteers within the UK not-for-profit sector. It will contribute to an understanding of the challenges associated with the management of disabled volunteers and will show how knowledge gained during the course of academic study may be applied by practitioners working within the not-for-profit sector. Thus in focusing attention upon the management of disabled volunteers this paper adds to academic and practitioner knowledge in both the not-for-profit and disability fields

**Description**

**Introduction:**

By drawing upon data collected as part of an empirical study analysing the experiences of physically disabled volunteers, this paper focuses on the distinct challenges associated with recruiting and managing disabled volunteers within the not-for-profit sector of the UK. More specifically, the paper draws attention to 5 separate influences impacting upon the experiences of disabled volunteers and suggests how such influences may result in both functional and attitudinal difficulties for disabled volunteers. Furthermore, in suggesting various actions that volunteer managers may take in order to alleviate such difficulties, the paper offers practical advice for those practitioners responsible for volunteer management and recruitment.

It is envisaged that this paper will encourage practitioners involved with volunteer management to consider how the distinctiveness and diversity of their organisations might be enriched by the recruitment of disabled volunteers. It is also hoped that the paper will also promote further academic study in this area.

**Background:**

Following grounded theory methodology (Glaser & Strauss: 1968), fifty people volunteering and working within a total of 30 not-for-profit and 9 public sector organisations and agencies were interviewed. Forty-seven of the study participants were wheelchair users who volunteered; of these twenty-six were engaged in managerial or governance roles. The interviews, which were semi-structured in nature focused on volunteering and voluntarism; disability and volunteering; and the management of volunteers and disability not-for-profit organisations.

**The Literature:**

There exists a reputable body of literature pertaining to voluntarism and volunteering within both the UK and the USA. Such literature ranges from analyses of volunteering by specific groups of people (Brudney & Gazeley: 2002, Handy & Narasimhan: 2004, Steinberg et al: 2001), to studies analysing volunteer motivation (Clary & Snyder: 1991, Davis Smith: 1992, Wardell et al: 2000), and volunteering activities (Brudney: 2001, Cnaan et al: 1996, Gaskin & Davis Smith: 1995). Whilst some literature draws attention to issues surrounding volunteer management, (Brudney: 1990, Brudney & Kellough: 2002, Mason: 1996), there exists a substantial gap in knowledge regarding the management of disabled volunteers.

This paper draws attention to the unique and diverse range of issues faced both by disabled volunteers and those responsible for their management. It will contribute to an understanding of the distinct and varied challenges associated with the management of disabled volunteers and will show how knowledge gained during the course of academic study may be applied by practitioners working within



the not-for-profit sector. Thus in focusing attention upon the management of disabled volunteers this paper adds to academic and practitioner knowledge in both the not-for-profit and disability fields.

#### Influences on the Volunteers' Experiences:

During the course of the study five distinctive influences upon the volunteers' experiences were identified:

1. □ Biomedical-social factors; dependant upon the manner in which disability is conceptualised; incorporating medically and socially constructed perspectives:
2. □ Personal matters; mainly relating to health and finance:
3. □ Organisational issues; reflecting organisational culture, policies & procedures:
4. □ Social and public policy; including issues surrounding welfare benefits and policies relating to healthcare provision:
5. □ Wider social issues; shaped by socially constructed attitudes towards race and gender, as well as other socially and economically based determinants.

The main body of the paper draws attention as to how such influences may result in various practical and attitudinal difficulties for disabled volunteers and should thus be considered by those responsible for volunteer recruitment and management.

#### The Recruitment of Disabled Volunteers:

In considering each of the above influences consecutively this section of the paper provides detailed suggestions pertaining to the recruitment of disabled volunteers. It suggests how volunteer managers might attract more disabled volunteers and offers practical advice regarding what actions need to be taken both prior to, and during, the recruitment process. Issues discussed range from matters relating to physical access and transportation to the payment of out-of-pocket expenses. The need for volunteer managers to take account of individual disability related needs before placing a disabled volunteer within a particular role is also raised. Furthermore, it is suggested that when recruiting disabled volunteers, it is important for volunteer managers to adopt a non-bureaucratic approach and fit the voluntary post to the volunteer (and not the other way around).

#### The Management of Disabled Volunteers:

In focusing upon the management of disabled volunteers, this section of the paper shows how the 5 influences identified in earlier paragraphs impact upon issues surrounding organisational administration and governance. It draws attention to various practical and attitudinal problems faced by disabled volunteers during the course of volunteering and suggests practical methods that volunteer managers may take in order to alleviate such difficulties. In addition to this the paper highlights the important role played by Disability Awareness Training in combating various misconceptions regarding disability. It proposes that such training should be made available to all staff and volunteers including those living with physical and mental disabilities.

#### Conclusion:

The conclusion draws together recommendations made pertaining to the recruitment and management of disabled volunteers. It notes how some of the universal problems faced by disabled volunteers and those responsible for their management cannot be addressed at organisational level – but require legislative action by government to address wider socially constructed attitudinal and practical difficulties. The paper concludes by noting that the disabled population form a largely untapped and unrecognised pool of volunteer labour; moreover when given the opportunity disabled volunteers can and do represent a valuable resource to their organisations, adding both diversity and richness to the third-sector as a whole.

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**Paper Number:** PA051036

**Paper Title:** The Use of Interest Rate Swaps by Nonprofit Organizations: Evidence from Nonprofit Healthcare Providers

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### **Summary of Research**

We examine and explain derivative financial instrument usage among US nonprofit healthcare providers. The topic of derivative financial instrument utilization by nonprofit entities has received only limited attention in the research literature. Since very little is known about the risk management activities of nonprofit organizations, the impact of these activities on the ability of nonprofit organizations to raise capital may have significant public policy implications. We examine the financial statements and other informational disclosures from nearly 200 nonprofit healthcare providers, and we utilize existing financial theories to determine the nature and extent of derivative financial instrument usage.

### **Description**

We examine and explain derivative financial instrument usage among US nonprofit healthcare providers. The topic of derivative financial instrument utilization by nonprofit entities has received only limited attention in the research literature. Since very little is known about the risk management activities of nonprofit organizations, the impact of these activities on the ability of nonprofit organizations to raise capital may have significant public policy implications. We examine the financial statements and other informational disclosures from nearly 200 nonprofit healthcare providers, and we utilize existing financial theories to determine the nature and extent of derivative financial instrument usage. Clearly, the ability of these organizations to raise capital would certainly impact their capacity to deliver needed human services to the nation.

Large US nonprofit provider organizations rely extensively on the proceeds of public municipal debt issues to finance their extensive and rapidly growing facilities, capital equipment, and information infrastructure needs (Sandrick, 2002). Fluctuating municipal bond market interest rates exposes long term debt issuers to two basic forms of interest rate risk – fair value risk and cash flow risk (Chen, 2003). Interest rate swaps are derivative financial instruments that are used by many issuers of long term debt to manage the risks associated with fluctuating bond market interest rates. An interest rate swap is a contractual agreement between two counter parties under which each agrees to make periodic payments to the other for an agreed period of time based upon a notional amount of principal.

We hypothesize that nonprofit health care providers will act like investor owned corporations with respect to the use of interest rate swaps. These organizations operate in competitive market settings and rely on earned revenues for the financial survival. Nonprofit healthcare organizations generate the large majority of their operating cash flows from earned revenues. Few generate as much as five percent of their total revenues from philanthropic contributions. Consequently, we hypothesize that their financing and interest risk management behavior will approximate that of large investor owned corporations. We expect that nonprofit health swap users would be larger and more highly leveraged organizations when compared with nonprofit health providers that do not use interest rate swaps. However, since there is no existing literature that predicts the impact of the absence of individual residual claimants and the lack of access to equity financing might have on the debt financing and related risk management decisions of nonprofit organizations, our study adds to the corporate finance literature by addressing these questions.

The contemporary finance literature (e.g. Wall and Pringle, 1989 and Li and Mao, 2003) advances five primary hypotheses that explain the use of interest rate swaps. We empirically test these hypotheses on a sample of large nonprofit healthcare organizations. All of the sample organizations have public debt, while only a portion use interest rate swaps.

### Information asymmetry hypothesis

H1A: Fixed rate payers (i.e., those making fixed payments in a swap contract) will have more private information (information asymmetry) than floating rate users (i.e., those making floating payments in a swap contract) or nonusers (i.e., those not using swap contracts).

Suppose that a firm has private information that its future borrowing costs will decline due to improved performance that the market does not expect. This firm would not want a long-term fixed rate loan; however, they also desire to mitigate the interest rate risk of a floating-rate short-term loan. Titman (1992) argues that the firm will exploit its private information, borrow using short-term floating-rate debt, and enter into a fixed paying interest rate swap. Thus, fixed rate payers will have more private information than floating rate payers or nonusers.

Following Saunders (1999) and Li and Mao (2003), we have two proxies for information asymmetry--SIZE and GROWTH. Information asymmetries are associated with smaller firms. We measure SIZE as the natural log of total assets. Firms with private information (i.e., information asymmetries), are also expected to have higher than expected growth, as the market does not anticipate the improved financial performance. We measure GROWTH as the percentage change in revenues.

### Agency costs hypothesis

H2A: Fixed rate payers will have higher agency costs than floating rate users or nonusers.

Wall (1989) suggests that agency costs affect the use of interest rate swaps. Firms that desire a long-term fixed interest rate pay a premium due to the costs associated with long-term debt, namely, underinvestment and asset substitution. These costs can be mitigated by issuing short-term floating debt and enter a swap as a fixed rate payer. In this way, the firm can lock in a long-term interest rate and avoid the monitoring costs associated with refinancing short-term debt.

We have four proxies for agency costs--DEBT, CURLIAB, FREECASH, and FRLTD. Firms with more debt are subject to more monitoring costs. Debt usage is measured as the ratio of total liabilities to total assets (DEBT). Firms with more short-term debt have to continuously enter the debt market with additional agency costs. Short-term debt usage is measured as the ratio of current liabilities to total liabilities (CURLIAB). Firms with a large amount of discretionary funds available are more likely to experience the asset substitution agency problems associated with a long-term debt issue. Undistributed free cash flow (FREECASH) is used to proxy discretionary funds. FREECASH is measured as cash flows from operations less cash flows for capital expenditures scaled by total assets. Firms with high agency costs would borrow with floating-rate debt to reduce these costs. These firms will enter interest rate swaps as fixed-rate payers to eliminate their exposure to interest rate risk. We measure the amount of floating-rate long-term debt (FRLTD) as the ratio of long-term floating-rate debt to total liabilities.

### Comparative advantage hypothesis

H3A: Floating rate payers will have a comparative advantage over floating rate users or nonusers.

Bicksler and Chen (1986) suggest a comparative advantage theory of interest rate swaps. A firm with a high rating will be able to borrow at a lower interest rate than a firm with a low rating. The low rated company will have to pay a premium due to the increase likelihood of default. A high (low) rated firm should borrow with a long-term (short-term) fixed (floating) rate loan and enter into an interest rate swap as a floating-rate (fixed-rate) payer. This allows both firms to arbitrage the quality spread and lower the borrowing costs. We use the Standard and Poor's bond rating as the proxy for quality.

### Downsizing hypothesis

H4A: Fixed rate payers are expected to downsize its debt relative to floating rate users or nonusers.

Wall and Pringle (1989) suggest a downsizing hypothesis of interest rate swap use. Suppose that a firm determines that its optimal debt level has decreased, and that it needs to significantly reduce its debt in the future. This firm will not want to be locked into a large amount of long-term debt, since it is costly to repurchase this debt. However, it does not want the interest rate risk associated with short-term debt.

Thus, the firm may issue short-term floating rate debt and enter into an interest rate swap as a fixed payer. The firm will lock in a fixed interest rate and have more control to reduce its debt load in the future by simply not refinancing the short-term debt. Following Saunders (1999), we measure DOWNSIZE as a dummy variable, with a value of one if total liabilities decrease by more than 10% and zero otherwise.

#### Project completion hypothesis

H5A: Fixed rate payers will make more capital expenditures than floating rate users or nonusers. Saunders (1999) expounds a project completion hypothesis for interest rate swap usage. Most firms use floating-rate short-term debt to finance capital projects. However, once the project is complete, the company will want to lock in a long-term interest rate. Thus, the project completion theory predicts that once the project is complete, the firm would enter into an interest rate swap as a fixed payer. We use capital expenditures as a proxy for project completion, and measure PROJCOMP as the change in net property, plant and equipment plus current year depreciation scaled by current year net property, plant and equipment.

Our sample includes many of the nation's largest providers of healthcare services as well as some of the largest private issuers of public tax-exempt debt. We find that a large proportion of our sample nonprofit healthcare provider organizations use interest rate swaps to manage the risks associated with interest rate volatility and synthetically refinance a portion of their long-term debt in order to lower their cost of borrowing.

We use logit analysis to test the five hypotheses. The results provide support for the project completion hypothesis, limited support for the information asymmetry hypothesis, mixed results for the agency costs hypothesis and no support for the comparative advantage or downsize hypothesis. However, the significance of the overall models provides support for the predictive ability of the combined hypotheses. In his tests of swap usage by public corporations, Saunders (1999) also finds mixed results for the hypotheses. He finds support for the information asymmetry and comparative advantage hypotheses, limited support for the agency cost hypothesis, and no support for the downsizing and project completion hypotheses.

Future researchers may find several useful extensions of our research. Our research sample was drawn from large nonprofit healthcare organizations. Determining the extent of derivative financial instrument activities among small and medium healthcare provider organizations would be an interesting inquiry. Other nonprofit organizations such as colleges, universities, and voluntary health and welfare organizations share a common governance structure with nonprofit healthcare organizations but are less capital-intensive enterprises. Finding the differences and similarities in interest rate derivative usage across different nonprofit organizations may yield useful developments in finance theory.

**Paper Number:** PA051043

**Paper Title:** The Peer Learning Circle as a Capacity Building Strategy for Executive Directors

**Author(s):**

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**Summary of Research**

The paper explores the role of the peer learning circle as a strategy for improving the capacity of executive directors over the long term. Building on a 9-month project that demonstrated that the peer learning circle could support EDs in making personal and organizational changes that would improve job quality, this follow up tracks the sustainability and progress of those changes one year later. Results demonstrate that the peer learning circle approach may be one of the most effective approaches in working with EDs to create organizational and personal change.

**Description**

The Peer Learning Circle as a Capacity Building Strategy for Executive Directors

**Introduction**

□ The paper explores the role of the peer learning circle as a strategy for improving the capacity of executive directors over the long term. Building on a 9-month project that demonstrated that the peer learning circle could support EDs in making personal and organizational changes that would improve job quality, this follow up tracks the sustainability and progress of those changes one year later. Initial project results suggest that the peer learning circle may be a particularly effective tool in working with EDs to create organizational and personal change. This research will verify if this is true in the long term.

**Research Questions**

- The initial research was guided by the research questions: How can a peer-to-peer action learning model be constituted with executive directors for the purpose of finding strategic and tactical solutions to job quality and job satisfaction issues?
- The current paper addresses the research question: How effective is the peer learning circle approach in generating sustainable change in organizations and in executive directors as leaders of organizations?

**Project Description**

□ Executive directors are a significant asset in nonprofit organizations. They fulfill a critical leadership and/or management role and are responsible for organizing and directing employee and volunteer activities towards the completion of the organization's mission. In effect, executive directors are the fulcrum on which balances the success or failure of an organization. Because of issues such as poor compensation and benefits, excessive demands and responsibilities, and few learning opportunities, Executive directors are an asset that is vulnerable and at risk for leaving an organization. One way of reducing the vulnerability of executive directors is finding a way to improve the various dimensions of job satisfaction, some of which are mentioned above. Ensuring that executive directors are satisfied in their role could significantly and positively impact on the capacity of an organization to address its mission with a strong, committed, and loyal employee and volunteer base. Such an effort to reduce job quality and reduce the vulnerability of these leaders, results in building the capacity of the nonprofit sector to be effective.

- McMullen & Schellenberg (2003), present eight dimensions of job quality in nonprofit organizations:

extrinsic rewards, hours and scheduling, employment relationships, organizational structure, job design, intrinsic rewards, skill use and development, and finally, health and safety. To explore these dimensions of job quality a peer learning circle of 10 executive directors was constituted – nine of which could complete the project. The peer learning circle ran for five months beginning in January 2004 and concluding in May 2004. Meetings took place once per month and each meeting of the peer learning circle lasted 2.5 hrs. Individual work was expected between meetings based on commitments made during discussions and activities within the peer learning circle. Every executive director made commitments to take action and followed through. The range of actions varied from complete reorganization of the nonprofit to collection of information to make a case for improved remuneration of the executive director.

#### Methodology and Outcomes

□ Starting in October 2003 and concluding in June 2004, the project tracks a small sample (9) of Executive Directors representing smaller nonprofits. An action learning process was adopted for the group work. Action learning may be viewed as the engine that converts changes in the external environment to the necessary internal organizational and individual changes (Mumford, 1991). Spence (1998) defines action learning as a process of learning and reflection supported by colleagues, with the intention of getting things done and (b) a process which brings people together to find solutions to problems and, in doing so, develops both the individuals and the organization. Key elements of action learning identified by Spence and adopted for the project are that it find a solution to a real problem, that it is voluntary and learner driven, that individual development is as important as finding the solution to the problem, that it is a highly visible and social process leading to organizational change, and that it requires time (4-9 months). Together the group works to solve long-standing problems that cannot be solved through training and that in doing so, strategic and tactical issues are addressed.

□ The notion of a peer learning circle goes back more than 100 years in Sweden where it is firmly entrenched in that society (Suda, 2001). Suda found that these study circles utilize the experiences of ordinary people as a starting point for “exploring socially relevant concepts” (p. 3). The circles rely on dialogue that is both democratic and participatory. The facilitator is an equal participant rather than a teacher or keeper of knowledge (Larssen, 2000). Typically the make up of the group remains constant over the period of time agreed upon beforehand (Wade & Hammick, 1999). Central to the learning circle is the achievement of some kind of learning by the participants. Vygotsky (1978) articulated the idea that learning is socially constructed during interaction and activity with others. Research on peer learning (e.g. O'Donnell & King, 1999) has demonstrated that the interaction between members of a learning circle influences the cognitive activity and therefore, the learning that is occurring. For high-level learning to take place, the thinking and interaction within the group must also be of a high cognitive level, characterized by the exchange of ideas, information, perspectives, attitudes, and opinions. This kind of interaction generates a discussion that has thought provoking questions, explanations, speculations, justifications, inferences, hypotheses and conclusions (King, 2002). As such a learning circle is a continuous process of learning from experience through to reflection and moving to action. A learning circle helps, “people to take an active stance towards life and helps overcome the tendency to be passive towards the pressures of life and work” (McGill & Beaty, 1993, p. 11).

□ The unanswered question is whether the critical thinking skills and actions taken as a result of participation in a peer learning circle extend past the conclusion of the learning circle. This paper follows up with the participating executive directors to determine:

- In what ways, if at all, are the changes made during the peer learning circle evident in the organization after one year?
- At a personal level, how did the peer learning circle experience contribute, if at all, to an executive director's ability to manage and lead a nonprofit?

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**Paper Number:** PA051044

**Paper Title:** Stories of volunteering: An interactive constructionist approach to youth and community participation

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**Summary of Research**

The primary goal of this paper is to explore the realities that young volunteers and organizations construct together, and to adjust the general image of volunteering to fit better with the meaning-giving processes of both young people and volunteer organizations. On the basis of existing literature, we offer evidence of the importance of the general image, the consequences of various images, and the existence of standard and counter-stories in connection with youth and volunteering. The paper will also describe an innovative project of the Dutch national center (CIVIQ) regarding the social participation of youth and young adults.

**Description**

The primary goal of this paper is to develop a means of coming to a better understanding of the realities that young volunteers and organizations construct together. In addition, it seeks to adjust the general image of volunteering within society to fit better with the meaning-giving processes of both young people and volunteer organizations.

Impressions and opinions about the concept of volunteering form an important aspect of the processes by which people choose whether or not to contribute their efforts for the common good. These impressions and opinions are strongly influenced by the general image of volunteering that prevails in a given society. This image is derived, at least in part, from a dialogue between a) individuals who engage (or do not engage) in volunteer work and b) (people within) organizations that wish to make use of their efforts. As in many dialogues, the dialogue between young people and organizations is characterized by the existence of one or more standard stories and a number of counter-stories. The counter-stories bring the standard stories into question (Abma, 2003). Such counter-stories are particularly evident in connection with attempts to involve youth and young adults in volunteering.

On the basis of existing literature, we offer evidence of:

\* The importance of the general image (represented in the literature as “questions of definition;” see e.g., Handy et al.; van Hal, Meijs, and Steenbergen, 2004);

\* The consequences of various images (e.g., differences across EU countries with regard to volunteering policies; see van Hal, Meijs, and Steenbergen, 2004);

\* The existence of standard and counter-stories in connection with youth and volunteering (e.g., Russell Commission, 2005; Schoenberg et al., 2003)

In addition, the paper will describe the research and intervention methods being employed in an innovative project that is currently underway within the Dutch national institute for voluntary action (CIVIQ) regarding the social participation of youth and young adults. One of the goals of this project is to examine the motivations (and de-motivations) of youth with regard to volunteering and social participation. The research is being carried out largely within the context of various local organizations with which members of the project team are involved in consultation, intervention, or other practical activities. Using techniques of interaction research (Kensen and Tops, 2004) and other forms of discursive analysis (Kleiner and Roth, 1997; Abma, 2000), team members gather, reflect upon, and analyze qualitative information obtained from conversations and encounters with those who are involved in the projects. The results of their analyses are applied not only to their work with the specific organizations, but will also be used as a means of transferring knowledge across contexts. The project began in the summer of 2004. The discussion will be illustrated with a number of “stories from the field” that have been collected during the project.

By examining the dialogue between young people, volunteer organizations, and society in general, we hope to gain a better grasp of the realities about volunteering that youth and young adults construct together with organizations. Further, these insights can be used to begin the process of adapting the prevailing images concerning youth and volunteering to fit better with the realities that are constructed by those who are involved.

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**Paper Number:** PA051045

**Paper Title:** Social Enterprise: A cross sector approach to identifying its various forms

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**Summary of Research**

**Description**

**Paper Number:** PA051046

**Paper Title:** Who Cares about the Form 990: Examining firm and donor market response to variation in financial reporting quality

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**Summary of Research**

We test the impact of 990 reporting quality on the ability of competitive donor markets to discipline nonprofit managers. To the extent that NPOs rely on public support, we find that accurate and credible financial information sharpens the market's ability to reward relatively efficient nonprofits. This result strengthens our claim that market structure has been an under-appreciated tool of nonprofit governance. Using Form 990 Digitized Data (NCCS), a panel of charitable nonprofits is organized into their relevant donor markets. Variation in 990 quality is then tested as a moderator to the market's ability to stimulate improvements in NPO operating efficiency.

**Description**

It is recognized by donors, researchers, and regulators that nonprofit organization (NPO) managers may pursue objectives other than those considered optimal by its constituents (Government Accounting Office, GAO-02-526). Despite the imposition of a non-distribution constraint, stake-holders still face agency problems when nonprofit managers do not bear residual risk (Fama and Jensen, 1983). Consequently, NPO managers may benefit from pursuing utility enhancing activities such as: consumption of non-cash perquisites, excessive fundraising, or organizational slack (Feigenbaum, 1987, Glaeser and Shleifer, 2000). Furthermore, Yetman (2001) identifies tax incentives for nonprofit managers to alter their expense allocations to exploit special NPO tax privileges. In each of these cases, NPO managers have an incentive to divert resources away from their core charitable activities or reduce quality.

□ Recent research has focused on the wide variety of governance mechanisms available to constrain opportunistic behavior among NPO managers. Nonprofit board composition, regulation, and IRS enforcement have all been evaluated as governance mechanisms (Callen et. al., 2003, Keating and Frumpkin, 2003, Desai and Yetman, 2005). To a lesser extent, competition among nonprofits for scarce donor resources has been recognized as an important determinant of manager decisions. Frumpkin and Kim (2001), Lakdawalla and Philipson (1998), Tuckman (1998) each examine how competitive donor markets can effectively restrict a manager's propensity to allocate resources away from program service expenditures. Yet empirically detecting the impact of competition on nonprofit allocation decisions has been difficult for two reasons.

□ Trussel (2003), Keating and Frumpkin (2003), as well as briefs from the Nonprofit Overhead Cost Project ([www.coststudy.org](http://www.coststudy.org)) are recent examples of papers that criticize Form 990 data as potentially incomplete, inaccurate, or deceptive. Nonprofit managers have an incentive to under-report resources allocated to management because donors likely perceive these expenditures as an implicit price for nonprofit output (Weisbrod and Dominguez, 1986). This makes detecting the effects of competition difficult because variation in expense ratios is likely understated. Secondly, because pricing information may be inaccurate, donors themselves have difficulty discerning the relative efficiency among nonprofits. This reduces the market's ability to discipline (or reward) performance.

□ This paper tests the impact of 990 reporting quality on the ability of competitive donor markets to discipline nonprofit managers. To the extent that NPOs rely on public support, we find that accurate and credible financial information sharpens the market's ability to reward relatively efficient nonprofits. This result strengthens our claim that market structure has been an under-appreciated tool of nonprofit governance. We evaluate 990 quality using a combination of Single Audit Act data (OMB Circular A-133) and variation among state regulatory requirements. Using Form 990 Digitized Data (NCCS), a panel of charitable nonprofits is organized into their relevant donor markets. Variation in 990 quality is then tested as a moderator to the market's ability to stimulate improvements in NPO operating efficiency.

□ Given the unique nature of the nonprofit organizational form, it is not well understood how market competition impacts the strategic decisions of nonprofit organizations. This study strengthens the body of empirical analysis promoting the notion that market competition is a potent alternative to other forms of regulatory governance. Most importantly, the impact of the market could be substantially strengthened by increasing both the quantity and quality of financial data available to nonprofit constituents.

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**Paper Number:** PA051047

**Paper Title:** Cost Shifting in the non-profit sector, to meet BBB guidelines and donor expectations

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**Summary of Research**

This proposal examines the possibility of cost-shifting and income manipulation in the non-profit sector with specific reference to the original CBBB standards, in relationship to the use of funds. These standards outline what is considered a prudent and reasonable use of funds.

Given the importance of these standards in donor decision-making it would be a reasonable motivation for cost shifting for non-profit organizations to meet these standards.

This paper uses FY 2001 990 return data to examine the possibility of cost shifting within non-profit organizations in the context of these standards to meet the reasonableness guidelines.

**Description**

The non-profit sector in the recent years has been monitored as much by public reporting as it has by private watchdog organizations. The limited scope and depth of the public regulations and reporting leave several aspects of non-profit operations to be monitored by the organizations in a self-motivated manner. Non-profit donors however have a strong need to be reassured that their money is being directed towards an organization that is spending this in a prudent and reasonable manner. Watchdog organizational guidelines therefore allow them some added measures of evaluating the organizations in a comparative perspective and therefore tend to be extremely important in donor decision-making.

The BBB standards are extremely prominent in the non-profit landscape and they, look at non-profits in areas of governance, fiscal accountability, and transparency of operations. This entity is the largest watchdog organization and is of sufficient size and stature to have its ratings actively used by a wide group of stakeholders. The standards of financial accountability particularly are considered a measure of operating effectiveness and offer guidance towards the reasonable use of funds by organizations and are used by donors to look at program and operating efficiency of non-profit organizations.

Section B of the CBBB guidelines defines standards that outline specifications related to the "Use of funds" by non-profit organizations. There are four standards outlined in this section that are listed as follows,

B1: A reasonable percentage of total income from all sources shall be applied to programs and activities directly related to the purpose for which the organization exists. This is quantified as at least 50% of the income from all sources.

B2: A reasonable percentage of public contributions shall be applied to the programs and activities described in solicitations, in accordance with donor expectations. This is also quantified as being at least 50% of the income from direct solicitations.

B3 Fundraising costs shall be reasonable. This is quantified as being no more than 35% of total income from fundraising sources.

B4. Total fundraising and administrative costs shall be reasonable. This is quantified as being 50% of total income.

1. □ This study looks at non-profit organizations and some of the motivations that might cause them to manipulate their income and expenditure patterns, in specific relationship to the new BBB guidelines related to non-profit organizations and their program and fund-raising spending patterns. We feel that the two standards particularly motivational to cost shifting, would be standards B1 and B4 and we look the trend and magnitude of organizations clustering around the 50-60% range and compare this with normal distribution patterns. This is looking at cut-off levels of the then current standards by testing the mentioned ratios. The data being used for this study are FY 2001 990 returns of operating non-profit organizations, from the NCCS – Guidestar database.

2. □ We will further look at the revised standards effective as of March 3, 2003 and develop descriptive

statistics to look at how many organizations that meet the prior standards potentially fail the current standards. The new standards change the program spending requirement. This is outlined in the revised Standard 8 that defines the reasonable percentage of money spent on total program activities to be at least 65% of total expenses.

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**Paper Number:** PA051048

**Paper Title:** Late mover advantages of formulating strategy – A case of non-profit organizations

**Author(s):**

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**Summary of Research**

First-movers into a market have several distinct advantages which preempt the entry and success of future entrants into the market. The existing research leans towards suggesting that the advantages enjoyed by the pioneer tend to be stronger than potential disadvantages with specific exceptions.

This paper looks at the case of the non-profit industry and contends that late movers in the non-profit industry have a significant advantage in developing strategy and are consequently more successful than pioneers, largely due the free-ride advantages of late movers due to the awareness created by the first movers in the prospective market.

**Description**

Timing, orders of entry, and strategic advantages have been examined from several perspectives. This paper looks at these issues in the context of non-profit organization.

Specifically, this paper contends that due to the unique nature of non-profit organizations, first mover advantages cannot be achieved and sustained in the non-profit sector. The lack of sustainability is largely because

1. □ The non-profit industry does not have strong barriers to entry.
2. □ The primary strategic tool for a non-profit organization is its mission, which is very difficult to change or modify, resulting in a very high an ingrained sense of inertia.
3. □ The pioneer in the market cannot lay claim to developing the market and creating awareness for an issue, which is an uphill task for the pioneer.

Consequently late-entrants are able to leverage the above disadvantages, which outweigh the benefits of being the first to enter the market. The late entrants are also able to,

1 Sustain significant free-rider advantages by reaping the benefits of the awareness and knowledge base created by the pioneers in the field.

They are able to leverage greater financial support for their position, since they are able to look at the pioneers as a test case and get a fair understanding of donor choice and needs.

The paper is organized into four sections to look at the above issue. In the first section we define and discuss the theory on first-movers and discuss the advantages and problems of first mover firms in the marketplace. The second section outlines the discerning characteristics of non-profit organizations and discusses how the late-entrants in the non-profit industry reap the benefits of information, and how they can use these benefits to effectively position themselves into the new market. The third section the hypotheses are defined and discussed and the measurement criteria are outlined. These hypotheses are tested against a selected sample of organizations, covering a cross-section of the industry. Finally, in the last section some of the limitations and areas of further research are discussed and identified.

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**Paper Number:** PA051049

**Paper Title:** Meeting in the Middle: The Challenges of Public/Private Partnerships in Domestic Violence Intervention

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**Summary of Research**

This case study addresses the merits and pitfalls of public/private partnerships through examination of a collaborative project to increase domestic violence victim safety and advocacy involving the St. Louis County Family Court, the St. Louis County Police Department and a nonprofit victims' advocacy organization, the Legal Advocates for Abused Women. Qualitative and quantitative results revealed that, while a coordinated approach offered benefits over independent actions of the parties, long-term program success was impacted by the power asymmetries among the project partners, different conceptions of clientele, lack of authentic partnering structures and varying definitions of program goals.

**Description**

□ How best can society address the vexing problem of domestic violence? In the past quarter-century, many alternatives for community response to domestic violence have been proposed, examined, and adopted. Among the diversity of approaches tested is the use of public/private partnerships between law enforcement, the courts and domestic violence agencies. Proponents contend that coordination between the various responding public, private and nonprofit stakeholders can better assure the protection and advocacy for victims of domestic violence than disaggregated actions of the independent parties.

This paper examines the promise and pitfalls of public/private partnerships in domestic violence intervention by examining the Police, Advocacy, Courts Together Project (PACT) in St. Louis, Missouri. Funded through a \$600,000 Federal Grant to Encourage Arrest Policies and Enforcement of Protection Orders, PACT is a joint endeavor to increase victim safety and advocacy between the St. Louis County Domestic and Family Violence Council, the St. Louis County Family Court, St. Louis County Police Department and the Legal Advocates for Abused Women. Project partners have sought to enhance the handling of domestic violence cases by: a) strengthening legal advocacy service programs for victims of domestic and dating violence; b) implementing a pro-arrest program within the County Police Department including stricter enforcement of protection orders; c) increasing collaboration between advocates working with victims of domestic violence, domestic violence programs, child protections service agencies and criminal justice agencies; and d) developing court innovations to improve the judicial handling of domestic violence cases. In 2004, representatives of Southern Illinois University Edwardsville were asked to conduct a process evaluation of the PACT project.

**Literature Review**

□ Across the nation, collaborative community projects to address the problem of domestic violence have shown promise in recent years. Pilot programs that have attempted to team police officers with victims advocates as first responders to 911 calls in domestic violence cases have performed significantly better (as measured by higher arrest, prosecution and conviction rates) than traditional models of response to domestic abuse cases. These types of programs have demonstrated that combining police and social services personnel along with probation/parole and correction officers is not only a viable concept, but offers the potential for a dramatic improvement in government responses to domestic violence as measured by the quality of investigations and the effective prosecution of domestic violence cases (Whetstone, 2001).

Key to the success of these projects is the idea of dynamic partnerships between the various community stakeholders involved in the domestic violence issue. According to Ghery (1996), public-private partnerships have gained recent favor in addressing a variety of community problems based on

a consensus view that government does some things best, the private sector other things, and the non-profit agency still different things. Accordingly, it is assumed that partnerships work where single sector approaches fail because they combine the best attributes of each partner. Successful partnerships have been shown to require a shared commitment to agreed-upon goals backed by the necessary financial investment and human capital of the partners and involve shared risk, authority, responsibilities, and accountability (Linder and Rosenau, 2002).

Linder (2002) notes that whether or not public/private partnerships live up to their promise depends on many factors including organizational structure, economic and political resources of the partners, philosophical and mission alignment between the partners, accountability factors, and communication within the partnership. Partners must be assigned specific responsibilities and given incentives and resources to fulfill those responsibilities (Stiglitz and Wallsten, 1999).

Despite the purported attributes of collaborative relationships, authentic partnering arrangements that involve close collaboration and a combination of the sector strengths often fail to materialize. Rather, minimalist partnerships or partnering at a distance appear to be the norm. These types of “arms-length” relationships are characterized by limited contractual obligation and mutual accountability and significant differences in power wielded by the various players (Rosenau, 1999). Berry and Anderson (2001) suggest that the unequal distribution of power between criminal justice and victim advocacy agencies is the primary impediment to progress made by domestic violence partnerships. Lutze and Symons (2003) note that until an equalization of power is established through adequate resources for all agencies, genuine attempts at effective collaboration in this particular area may be slow to evolve.

#### Findings

Study methods for this program evaluation consisted of a review of written documentation regarding the project, statistical analysis of project results, and qualitative interviews with key personnel from the courts, law enforcement and the domestic violence agency involved in project oversight and implementation.

Similar to other attempts at public/private partnerships, PACT illustrated that forging of effective public/private partnerships is not a simple proposition. The divergent cultures, missions, obligations and authority bases of the respective partners required that they find a way to meet in the middle on issue of significance:

“Bringing very divergent groups together is hard. It is analogous to bringing different religions together.”

Evaluation results are presented which indicate that the PACT project met or exceeded its goals as defined by the grant. PACT is demonstrating that, for those willing to invest the necessary relationship-building capital, partnerships can have their rewards in terms of improved service for target clientele. Yet, the evaluation also revealed that long-term outcomes of the partnership may be impacted by the power asymmetries among the project partners, differing conceptions of clientele, lack of authentic partnering structures and varying definitions of program success.

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**Paper Number:** PA051052

**Paper Title:** Charity Brand Personality: Distinguishing Sector, Cause and Organization

**Author(s):**

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**Summary of Research**

In this paper we report the results of a study of charity brand personality conducted in partnership with nine large national charities. Following a series of nine exploratory focus groups and a postal survey of 9000 donors we delineate 61 personality traits associated with nonprofit brands. We show that 32 traits are shared across charities and that the 29 traits capable of distinguishing between organizations may be viewed as comprising four key components; emotional stimulation, voice, service and tradition. Implications for charity brand management are explored.

**Description**

Charity Brand Personality: Distinguishing Sector, Cause and Organization

There are currently 200,000 registered charities in the United Kingdom a large proportion of which seek to raise funds from the general public. It is therefore unsurprising that there is evidence that the public is becoming increasingly confused by what Sargeant and Jay (2004) refer to as the 'deluge' of charitable appeals and that over 80% now feel there are simply too many charities doing similar work and communicating in very similar ways. It is against this backdrop that many charities have sought to use branding as a way to cut through this 'clutter' and to present a stronger case to donors of why a particular organization may be distinctive and hence worthy of support (Dixon, 1996; Harvey, 1990; Roberts-Wray, 1994).

Farquhar (1990) argues that the concept of brand personality plays a critical role in this process, since it can serve as the basis for meaningful and sustainable differentiation. It allows customers to attribute a unique identity to the brand and therefore supports the degree of personal identification with it that they are able to experience (Ambler 1997). This identification, or 'perceived oneness' has been well documented by organizational researchers (Bhattarcharya et al., 1995) with links being demonstrated to increased loyalty to the organization, brand loyalty and positive word of mouth and donation behavior. Indeed, while it has long been accepted that branding can facilitate more efficient fundraising (Gordon, 2004), there has been little empirical work conducted into the nature of charity brand personalities and the role that these can play in this process

Of particular interest in the United Kingdom where charities have a distinct legal status (akin to 501[C]3 in the U.S) is how their brand personalities might be structured. While there may undoubtedly be dimensions to a charity's personality that are somehow distinctive to the organization, it remains unclear whether there may also be shared personality traits that are ostensibly 'charitable' in nature. No empirical studies have to date identified the extent to which nonprofit brand personalities are unique or shared with others in the sector or same category of cause. This point is of particular significance, since if certain traits accrue to an organization's brand by virtue of that organization being a charity, the need to focus on that trait in individual marketing practice is greatly reduced. Equally, if some traits apply at the level of the cause (e.g. animal welfare), the need to promote or manage that trait becomes one for the sub-sector as a whole to address, rather than a single organization per se.

In this paper we report the findings of an empirical study conducted in partnership with nine national charities drawn from three distinct categories of cause. Following a series of nine exploratory focus groups and a postal survey of 9000 donors we find that a high proportion of perceived personality traits are shared with others addressing the same issue/cause or, more typically, with those organizations in

the wider charity sector. Of the 61 traits we identified, 32 appear common to all the organizations in our study. These findings reinforce the qualitative stage of the research which highlighted that donors appear to 'imbue' an organization with particular characteristics, by virtue of its charitable status. A subsequent factor analysis suggested that these common or shared characteristics reflect the voluntary nature of nonprofits and the role that they play in attempting to instigate change. A conservatism component was also uncovered, but it should be noted that the charities in the sample were generally not regarded in this way exhibiting mean scores on the related items around the scalar midpoint.

With regard to 'cause' effects, only four traits were identified that appear to distinguish practically among the three causes in the sample. The degree to which organizations are seen as heroic, passionate, protecting and responsive appears to differ by the nature of the cause. This is intuitive, since as the focus group data suggested, human service organizations, for example, will possess rather different characteristics from those lacking a human beneficiary group.

Finally in respect of those traits that did appear to differ between organizations there were 29 traits that were found to exhibit moderate or large organizational effects and where the perception of two or more of the nine organizations differed both significantly and practically. A factor analysis of these traits suggested four components that charity brand managers might focus on to distinguish themselves from both other charities in the sector and from those dealing with a similar cause or issue. In seeking to differentiate their brand, charity marketers are therefore advised to consider the nature of the emotional stimulation engendered by the organization, the nature of the voice projected by the charity, the character of their service provision and the extent to which the organization might be viewed as traditional.

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The researchers gratefully acknowledge the support of the Economics and Social Research Council in funding this study

**Paper Number:** PA051053

**Paper Title:** Philanthropic Giving Index: Results From Across The Pond

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**Summary of Research**

In this paper we report the findings from the United Kingdom's Philanthropic Giving administered for the first time in 2003. It comprises a biennial survey of fundraisers from the country's largest charities. The questionnaire is based squarely on the format developed in the U.S. by the Indiana University Center on Philanthropy. As the questionnaire has now been administered five times to the same panel of charities we are now in a position to track trends in confidence, both in fundraising as a whole and in relation to specific techniques. In this paper we report our early results.

**Description**

Over the past twenty years business practitioners on both sides of the Atlantic have had access to detailed information about the performance of their markets, trends in consumer buying behaviour, market demand and a plethora of other data. They have also had access to ongoing measures of business confidence that have assisted many firms in taking investment decisions and planning for the future.

Fundraisers in the U.K by contrast, have had access to little published data, barring that from the excellent ongoing efforts of both NCVO (National Council for Voluntary Organizations) and CAF (Charities Aid Foundation). Broad figures about trends in giving are available, as is detail on performance ratios, public trust and confidence and (through the work of nfpSynergy), data on the awareness of specific charity brands. What has been missing, though, is a measure of 'business' confidence in the fundraising sector. In other words a measure of just how confident fundraisers might be of their ability to fundraise effectively over the coming months and how, if at all, this might vary between the various techniques, forms of giving and media available.

In an attempt to fill this gap Bristol Business School, in partnership with Henley Management College developed a Philanthropic Giving Index (PGI) for the first time in 2003 that comprises a biennial survey of fundraisers from the country's largest charities. The questionnaire is based squarely on the format developed in the U.S. by the Indiana Center on Philanthropy and is mailed to over 500 fundraisers. The U.K sample was originally drawn randomly from those 7% of charities that account for 90% of the income accruing to the sector. As the questionnaire has now been administered five times to the same panel of charities we are now in a position to track trends in confidence, both in fundraising as a whole and in relation to specific techniques.

In this paper we provide an overview of our findings since the study began and conduct a comparison with data from the parent study conducted at the Indiana University Center on Philanthropy. The most striking facet of this analysis is how similar the results are. Fundraisers in both countries appear to hold very similar views. The notable differences lie in the realm of major gifts, where as one would expect U.S. fundraisers express significantly more success. Differences can also be discerned in relation to the use of e-mail in the U.S. where fundraisers again indicate higher levels of success. This may be due to the greater penetration of the medium into American homes and the proactive fundraising stance now taken by many U.S. nonprofits in new electronic media. It is important to note, however, that U.S. nonprofits appear to have less success than their UK counterparts with Internet fundraising (i.e. individuals proactively visiting and giving through websites).

One particularly interesting result is the similarity between the two country's results in respect of

telephone fundraising. The recently created 'do not call' register has become phenomenally popular in the U.S, but charities there are afforded exemptions. In the U.K. the length of the Telephone Preference Service list (which also allows individuals to opt out) is growing, but the position in respect of exemptions is rather different.

Overall our data indicate a fairly static perception of the utility afforded by each technique (or method of giving) barring the period immediately following the Asian Tsunami when confidence levels were clearly impacted. We also find over the past two years that charities are experiencing some improvement in their use of the Internet for fundraising and that the utility of direct mail for donor acquisition is falling.

Our data also allow us to explore the relationship between the size of responding charities (as ranked by voluntary income) and their levels of overall confidence and confidence in specific techniques. We find that all three confidence indexes increased with the size of the responding charity. Larger charities have greater confidence in their ability to raise funds than do smaller organizations. We also find that larger charities are significantly more likely to express success in their use of specific media, namely; direct mail, the telephone, e-mail, the Internet, Committed Giving and Legacies.

Clearly our Philanthropic Giving Index is still very much in its infancy. It will offer much more value for fundraisers as we continue to gather data in the coming years. With the passage of time we will be in a position to track trends in confidence and through the additional comments supplied by our respondents, be able to provide a rationale for the changes we discern. We will also be able to offer this analysis by sub-sector – to track opinions in the arts, international aid, conservation, general welfare etc. Watch this space.



**Paper Number:** PA051055

**Paper Title:** Public Policy Grantmaker Investment in Policy Agent Capacity Development

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**Summary of Research**

The proposed paper presentation will consider public policy grant maker practices that promote the long-term effectiveness of nonprofit policy agents in public policy systems. Individual grant records for 407 public policy grant makers were used in the research. Consideration is given to grant maker commitment to support the development of policy agent capacity in the areas of research and communication, resource acquisition, and management and governance.

**Description**

Each year private philanthropic foundations allocate millions of dollars through thousands of grants to influence public policy. This phenomenon occurs in spite of continuing Congressional oversight of foundation involvement in public policy and extensive regulation and statute that restricts such activity. Due to their unique position as private organizations that operated largely outside of public scrutiny, foundations can act independently in policy systems (Andersen, 2002, 4). As outside agents, foundations serve as sponsors for other nonprofit organizations that act as policy agents within policy systems (Walker, 1991, 49). Nonprofit organizations are free to engage in policy influencing activities that are otherwise off limits to foundations.

Public policy making is a long-term process. It is a slow and evolutionary activity that involves policy maker recognition of the salience of a problem, response to forces in the political environment that temper their perception of the problem, and the selection of a politically viable solution to that problem (Kingdon, 2003, 72). The long term effectiveness of nonprofit policy agents is enhanced by development of the organization's operational capacity (Bailin, 2003, 638). Well managed, and well funded organizations that can effectively convey information to policy makers can be effective policy agents.

This research explores public policy grant maker funding for the capacity development of policy agents. Three dimensions of capacity development are considered. These dimensions are (1) research and communication capacity, (2) resource acquisition capacity, and (3) management and governance capacity. It is hypothesized that foundations engage in holistic investment in the capacity of policy agents. Holistic investment involves grant maker support for the comprehensive development of all dimensions of policy agent capacity. Consideration is given to the attributes of public policy grant makers that provide funding for capacity development. The grant making records of 407 public policy grant makers for awards made around the year 2000 are considered in this research.

The study concludes that holistic investment in policy agent capacity is not a wide spread practice among public policy grant makers. While grant makers provide substantial support for capacity development among policy agents, there is no clear pattern of grant maker support for the comprehensive development of grantee capacity. Substantial support is provided for the development of research and communication capacity, which is an important resource for policy agent intervention in policy systems.

Public policy grant making is influenced by foundation wealth and the number of staff employed by the foundation. Wealthier foundations demonstrate a greater commitment to funding capacity development. Foundations that have numerous staff that can work closely with grantees also demonstrate a greater commitment to funding capacity development. Social acceptance of policy issues also appears to influence funding for capacity development. Foundations that have an interest in funding policy in less controversial policy areas such as art and culture, education, and health are

more likely to support capacity development. Public policy grant makers that provide support in more controversial areas such as social action, the rights and needs of disadvantaged groups, civil rights, advocacy, and community improvement are less likely to provide support for capacity development.

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**Paper Number:** PA051056

**Paper Title:** Ownership, economic efficiency and quality of service: Evidence from the nursing homes industry

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**Summary of Research**

We empirically investigate the nursing homes industry in Israel by testing various hypotheses regarding differences between non-profit-organizations (NPOs) and for-profit-firms (FPFs). We concentrate on two main issues: efficiency in terms of cost per bed and quality of service. The first part of the paper summarizes the main theoretical and empirical results concerning the differences between NPOs and FPFs. Then, we describe the main features of the nursing homes industry in Israel, and the role of the government as performed by the Health Ministry.

**Description**

We empirically investigate the nursing homes industry in Israel by testing various hypotheses regarding differences between non-profit-organizations (NPOs) and for-profit-firms (FPFs). We concentrate on two main issues: efficiency in terms of cost per bed and quality of service. The first part of the paper summarizes the main theoretical and empirical results concerning the differences between NPOs and FPFs. Then, we describe the main features of the nursing homes industry in Israel, and the role of the government as performed by the Health Ministry. The main part of this study is the econometric analysis of the nursing homes industry, with focusing on cost efficiency and quality. Our results support the hypothesis that services provided by NPOs tend to be of higher quality than those provided by FPFs. These results do not support the common belief that FPFs are more cost effective than NPOs for the same quality. The determination of the service price is complex. For consumers with a voucher, where the price is paid by the government, an NPO's price is higher than that received by an FPF. This relationship holds for prices paid by self-pay patients as well: NPOs charge a higher price than FPFs.

**Paper Number:** PA051058

**Paper Title:** High-Engagement Philanthropy: The Grantee's Perspective

**Author(s):**

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**Summary of Research**

High-engagement philanthropy has become a common method of grantmaking in the US, and much has been written on the practice. However, no research has analyzed high-engagement philanthropy from the point of view of grant recipients. The discourse so far has centered solely on why funders themselves should or should not employ a high-engagement style. The purpose of this paper is to bring grantees into the discourse on high-engagement philanthropy - to begin to understand the benefits and costs from their point of view.

**Description**

The practice of high-engagement philanthropy emerged as a topic of interest in the United States foundation community in the late 1990's, and has become a common method of grantmaking among many funders. Foundations that adopt this grantmaking style - one in which they work in close partnership with their grantees - claim to create greater impact by significantly increasing the operating capacity of the organizations that they fund. Proponents of the practice have written extensively on the need for longer-term, larger grants that include technical assistance and contingent funding plans. Cynics insist that 'high-engagement philanthropy,' or 'venture philanthropy' as it is sometimes known, is simply a new name for a style of grantmaking that has existed for decades, and may or may not be more effective than more 'traditional' grantmaking styles in which funders offer little more than a check to fund the work and maintain minimal oversight after the funds are awarded.

The concept of high-engagement philanthropy became popular in the late 1990's, when Letts et al published an article in the Harvard Business Review (1997) arguing that many grant-making foundations focused too little attention on helping nonprofits build efficient, self-sustaining infrastructures and increase capacity to deliver services. This failure on the part of foundations, the authors argued, forced grant recipients to spend too much time searching for funds and too little time delivering services. The authors called on foundations to adopt practices typical of venture capitalists - specifically, they advocated closer relationships between foundations and grantees, larger grants over sustained periods, and the adoption of performance measures and exit strategies. Such tactics, they argued, would enable nonprofits to grow and develop capacity while focusing on service delivery rather than fundraising. This idea of providing capital to nonprofits in such a way as to increase effectiveness is the core motivation underlying high-engagement philanthropy (Morino and Shore 2004).

The literature is full of success stories - of funding partnerships that have led to organizational growth, increased capacity, and enhanced social impact (Capers et al 1998, Gose 2003, HBSISE 2000, Kramer 2002, Letts and Ryan 2003, Letts et al 1997, Morino and Shore 2004, Skloot 2000, Vesper Society 2000, Wharton PPMD 2003). However, no research has analyzed high-engagement philanthropy for the point of view of grant recipients. The vast majority of existing literature approaches the concept either from a theoretical point of view or from the direct perspective of donors. Few studies have focused on the grantees' perspectives. As a result, little is known about how nonprofits themselves feel about high-engagement relationships with their funders. Do they value the insights, perspectives, and technical assistance high-engagement donors bring to their organizations? Or have they found that foundations offer an 'ivory tower' point of view and that the 'real' knowledge lies in the field with the grantees? Are the benefits of larger and longer-term grants worth the stringent requirements often attached to the funds? Is the technical assistance received worth the challenges faced and resources spent on increasing organizational capacity?

There is little research done by those who have neither invented nor promoted the practice of high-

engagement philanthropy, and there is a lack of focus on the challenges that recipients of high-engagement grants may face. For high-engagement philanthropy to move forward, it is essential to understand the grantees' perspectives on the practice. The existing literature is devoid of such research. The author has found no studies that have taken a systematic look at how grantees perceive high-engagement philanthropy<sup>1</sup>. Specifically, do they view high-engagement relationships as helpful or a hindrance as they attempt to grow their organizations and create social impact?

In an attempt to begin to answer this question, this research paper seeks to gain grantees' perspectives on a series of high-engagement grants administered by a nationally known foundation ("The Foundation") and the York County Community Foundation (based in York, Pennsylvania, USA). The Foundation is known for their high-engagement grantmaking, and as is typical of their style, in the grants upon which this paper focuses The Foundation established long-term partnerships with their grantees that were marked by strict requirements and demands for measurable results. The York County Community Foundation further created partnerships and imposed requirements of their own. This paper brings to light the thoughts of the grantees on the advantages and disadvantages of the high-engagement nature of the grants and on the practice of high-engagement philanthropy in general.

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**Paper Number:** PA051061

**Paper Title:** Cause Related Marketing: A Study of Consumer Nonprofit Brand Identification

**Author(s):**

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**Summary of Research**

In the past fifty years corporate involvement in the non profit sector has gradually changed from a voluntary sense of corporate philanthropy to the current mainstream practice of Corporate Social Responsibility through mutually beneficial partnerships. While these partnerships have become a ubiquitous device in the promotional portfolio of corporate communication departments, the mechanics behind their effectiveness are still not fully understood by practitioners and academics. This study sought to better understand how purchase intentions are moderated by consumer-nonprofit identification when presented with a cause related marketing program, accomplished through a review of academic literature and a survey of graduate students.

**Description**

**INTRODUCTION**

This study is motivated by the increasing mention of doing well by doing good when describing businesses which individually provide social benefits through their operations, or do so with a nonprofit partner (Reinhardt, 2004; Wickenheiser, 2004; Johnson, 2004), often falling in the context of corporate social responsibility (CSR) initiatives (Vernon, 2004; Henricks, 1991). In the United States CSR initiatives have evolved over the past fifty years from a voluntary sense of corporate philanthropy to the currently utilized mainstream practice of CSR as mutually beneficial partnerships (Porter & Kramer, 2002; Burlingame, 2001; Mullen, 1997; Varadarajan & Menon, 1988). This change is credited by many as a corporate response to rising consumer perceptions defining community involvement on a wider scale (Benezra 1995; Scott 1995; Smith 1994; Mullen, 1997, Quinn, 2000, MacMillan, 2003). A recent GolinHarris poll conducted on the state of corporate responsibility corroborated these assertions, showing 52% of respondents inclined to start or increase their business with companies due to their corporate citizenship (GolinHarris, 2004). The GolinHarris report followed a 2002 Cone/Roper report which indicated 91% of consumers would consider switching products or services if negative publicity surfaced about the company in question (Cone/Roper, 2002).

Increased expectations of corporate social responsibility have prompted a proliferation of methods through which businesses can support social causes. Kotler and Lee offer a list of options available to businesses including cause promotions, cause-related marketing, corporate social marketing, corporate philanthropy, community volunteering, and socially responsible business practices (Kotler & Lee, 2005). Of these six, the method which has become most prominent in recent years is cause related marketing (Polonsky & Wood, 2001). For businesses, cause related marketing programs are an ideal method to give back to the communities in which they sell their products or services, as they provide a evaluation metric, the measurable change in sales during the cause related promotion, as well as other corporate benefits including improved image, increased publicity, increased sales, access to niche markets, and improved employee morale (Kotler & Lee, 2005; Barone, Miyazaki, & Taylor, 2000; Ptacek & Salazar, 1997).

For nonprofit organizations, cause related marketing programs are valuable as they can leverage for-profit business' ability to promote their cause to a wider audience (Henricks, 1991), help reach a previously unsolicited donor base through a wider product distribution base, contribute supplemental revenue streams through CRM generated income, improve stature and credibility with other funders, diversify revenue sources, and can lead to non-cash benefits such as new volunteers and board member recruitment (Picker, 2001).

**RESEARCH QUESTIONS AND APPROACH**

While there is an abundance of literature discussing Cause Related Marketing (CRM), many aspects of CRM Agreements (CRMs) remain unexplored. Therefore, in a quest to add to the knowledge already possessed about CRMs the question addressed in this study is;

1. □ Do nonprofit brands behave in a similar manner as for-profit brands in terms of customer identification and commitment to the brand?

To address this research question a sample population of 223 was surveyed consisting of a randomly drawn graduate students from two academic departments at a large public university. This sample population was selected because a generational trend has been postulated that today's young people have, compared to previous generations, been predisposed to elevated amounts of community service during their adolescence, leaving them more inclined to support businesses which give to the community (Gard, 2004). Consequently, in measuring consumer-nonprofit identity it is postulated graduate students would have a more defined identity associated with their favored nonprofit, as those who attend college are often subject to community service obligations associated with high school graduation requirements, college application requirements, and once on campus the presence of service learning pressures (Randall, 2004; Young, 2003). Given these factors, a graduate student population is ideally suited to test the following hypotheses.

H1: Consumer nonprofit brand identification correlates with commitment to the nonprofit organization in the form of volunteering or donating

H2: Concurrent high consumer corporate brand identification and consumer nonprofit brand identification in CRM relationships positively impact product selection decisions between two substitutable products in the same category

H3: High consumer nonprofit brand identification and low consumer corporate brand identification in CRM relationships positively impact product selection decisions between two substitutable products in the same category

H4: Concurrent high consumer corporate brand identification and consumer nonprofit brand identification in CRM relationships positively impacts planned support of the nonprofit partner in the future

#### HOW ANSWERS WILL CONTRIBUTE TO THE FIELDS BODY OF KNOWLEDGE

For nonprofit organizations understanding the mechanics of consumer support for CRM programs is valuable as it allows organizations to construct partnerships so they build upon already established identification with current donors or volunteers, while concurrently appealing to latent donors or volunteers. By better understanding the impact of CRM programs on current supporters' commitment to the nonprofit, managers could identify the nonprofit's identity traits of higher value to supporters, allowing them to prioritize potential partners based on overlapping brand identity. This would allow for additional points of overlap in current and latent supporter's minds, helping to create identity overlap between supporter's and the nonprofit. This information could improve current and future CRM programs, as identity overlap has been shown to increase positive feelings about the partnered nonprofits, leading to increases in purchases during CRM programs (Lichtenstein, Drumwright, & Braig, 2004).

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**Paper Number:** PA051064

**Paper Title:** Is There an Economic Rationale for the Unrelated Business Income Tax?

**Author(s):**

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**Summary of Research**

Given that the Unrelated Business Income Tax (UBIT) for nonprofit organizations has existed in the United States for over fifty years, it is surprising that there is little consensus amongst scholars as to its effect on resource allocation between the for-profit and nonprofit sectors, and as to whether the UBIT improves economic efficiency. This paper reviews the literature and seeks to illuminate, for a multi-disciplinary readership, the root causes of the disagreements, and the implications for tax reform policy.

**Description**

Given that the Unrelated Business Income Tax (UBIT) for nonprofit organizations has existed in the United States for over fifty years, it is surprising that there is little consensus amongst scholars as to its effect on resource allocation between the for-profit and nonprofit sectors, and as to whether the UBIT improves economic efficiency. This paper reviews the literature and seeks to illuminate, for a multi-disciplinary readership, the root causes of the disagreements, and the implications for tax reform policy.

Recent scholarship on the UBIT has looked into how nonprofit organizations reduce tax liability by reporting as many costs as possible from all the organization's activities as being associated with the commercial "unrelated" business (Sansing, 1998; Yetman, 2003), and into whether a nonprofit's willingness to engage in commercial activities is related to its ability to shift costs (Cordes and Weisbrod, 1998). Evidence suggests that cost-shifting is prevalent, and so the government revenues from the UBIT are strikingly low.

But the question remains as to whether an effective UBIT is desirable in the first place, according to the usual criteria for evaluation of tax policy: efficiency, equity, low administrative costs for tax authorities, and low compliance costs for taxpaying organizations. If there is a public interest in making nonprofit organizations tax exempt, why not exempt all their earnings?

In this paper I suggest that the question of the UBIT cannot be separated from what we believe to be the economic effects of the corporation income tax facing for-profit organizations. In particular we need to distinguish between the corporate tax system we have and an idealized corporate tax.

The paper aims to provide an understanding for the non-specialist of the place of the UBIT in the overall tax system, and in possible future tax reform.

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**Paper Number:** PA051066

**Paper Title:** Learning to Volunteer: Organizational Socialization of Volunteers

**Author(s):**

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**Summary of Research**

The paper presented is an ethnographic study of a volunteers' organization, assisting adolescents. Through interviews, a focus group and participant observations, the research focused on the socialization process of volunteers. The data analysis led to the development of the "Transitions Model", which characterizes five different phases in the socialization process, the components of each phase, and the transitions that occur between the phases. Also described is the special organizational context which influences the process, and the role of the different socialization agents (organization, peer-group and clients). In addition to the theoretical contribution, the model also raises some managerial insights.

**Description**

Over the last 20 years, research on volunteerism has emerged, focusing mainly on motivation and rewards, socio-demographic correlates, commitment and turnover. What is needed now is the establishment of knowledge on the organizational behavior of volunteers.

The present study, a PhD dissertation, was carried out in a prominent voluntary organization in Israel: "ELEM: Addressing Youth in Distress." Established in 1981, ELEM is now a nationally run organization for underprivileged, socially-excluded adolescents and "street-kids." It works, among various projects and programs, by outreach vans that go out at night, and its volunteers and professional workers meet the adolescents in their own "back-yard", supporting them in a variety of ways (see: [www.elem.org](http://www.elem.org)).

The research was undertaken with the aim of understanding the socialization process of the volunteers, including the different phases they undergo in the organization; the experience of "making sense" of the organization in an unfamiliar environment; and the evolving identity both of the volunteer and the organization as a result of this process.

Through an ethnographic study of the organization, the researcher entered the natural environment of the volunteers in order to create an intimate acquaintanceship with it (Silverman, 2000). The data gathering took over a year and included more than 30 interviews, a focus group, almost 20 participant-observations, and analyses of documents.

The data analysis led to the development of the "Transitions Model", which characterizes five different phases, the components of each phase and the transitions that occur between these phases.

1. The Nomination Phase: including attraction to the organization, submitting nomination, expectations, fears and knowledge seeking.

a. Organizational Entrance Transition: a nominee becomes a volunteer through selection, training, mentoring, and entering into an agreement (contract). As s/he starts to actually volunteer, s/he may experience "reality shock".

2. The Newcomer Phase: the newcomer becomes a volunteer, as s/he begins to acquire new skills and knowledge and adopts the organizational values. This phase is characterized by high ambiguity, strong idealism, and sense-making.

b. The Accommodation Transition: occurs usually after a meaningful event or giving actual help to the clients. The volunteer's understanding of formal and informal rules of behavior increases.

3. The Effective Phase: at this stage the volunteer has acquired the needed skills, knowledge and values and is experienced enough to be effective and assist the clients. This is a very emotional phase, as the volunteer identifies with the organization and the clients, becomes very motivated but also concerned, and may feel distressed.

c. The Affiliation Transition: as newer volunteers join the organization, the volunteer becomes a senior volunteer. Understanding the internal culture and codes of the organization and of the youth in the street, s/he begins mentoring others and influencing the organization.

4. The Seniority Phase: At this stage the volunteer is skilled and experienced, on the one hand, but very realistic, and sometimes even cynical, as to the limits of the organization's ability to "make a difference". This phase is characterized by detached concern, low ambiguity and burnout.

d. the Exiting Transition or Renewal— senior and burnout volunteers incline to choose one of two steps: they either take "time out" or new roles, and thus renew their motivation; or they start exiting the organization by detaching themselves, emotionally and physically.

5. Retiring Phase: The volunteer departs from the organization with rituals, emotional closure, and seeking alternative connections with its members.

In each phase, the model relates to the different socialization agents who influence the volunteer: the peer group, the organization and the clients.

The research findings relate to a unique kind of volunteering: at night, in the streets, with no roof over one's head, and for youth in distress, and the model is presented within this special context.

The model can significantly contribute to a better understanding of volunteerism. The Transitions Model is an important element within the broader picture of the organizational behavior of volunteers, and can serve as the basis for future research in this particular field of knowledge. As already noted, previous research of volunteerism has most often dealt with issues such as motivation, satisfaction and turnover. This model, having been built up by careful observations of the voluntary experience and through examining the volunteers' point of view, establishes a link between the different but integral aspects of the volunteering process.

On the professional level, the model can greatly assist volunteer managers and volunteers themselves in understanding the processes to be expected as a new volunteer enters an organization. They can better understand the critical points in the process and so will be able to deal with them more effectively. Volunteer managers will be able better to understand the different factors which can help them create a more efficient socialization process, that will better equip volunteers, and thus result in lower turnover of a vital resource—within an environment of scarce community resources.

**Paper Number:** PA051069

**Paper Title:** The Economic Value of Volunteers to an Organization

**Author(s):**

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**Summary of Research**

The empirical portion of this paper describes the author's research at five elder care facilities in Australia that challenges the dominant replacement cost model for measuring economic value. Managers at all levels at these facilities value volunteers as a group, but do nothing to replace leavers, indicating that they do not value the work of any particular volunteer. This is consistent with theory showing that the replacement cost valuation model overstates the economic contribution of volunteers. The paper concludes with a discussion of how to modify the valuation model.

**Description**

This paper describes empirical research conducted at five elder care facilities in Australia that challenges the dominant replacement cost model for calculating the economic value of volunteers to an organization.

The replacement cost of a volunteer is the cost of hiring someone to do the same work. The valuation model based on this concept computes the replacement cost of each volunteer and adds them together to find the value of the volunteers as a group. It is the most widely used method of calculating the value of volunteers to an organization (Blair, Cheplick & Jones 2003). Goulbourne & Embuldeniya (2002) identify eight methods for assigning an economic value to volunteers, all of which are variants on replacement cost. The British Institute for Volunteering Research bases its Volunteer Investment and Value Audit (Gaskin 1999) on replacement cost. Quarter, Mook & Richmond (2003a, 2003b) take replacement cost as a departure point in their work on social accounting.

The replacement cost valuation model assumes volunteers are perfect substitutes, at a rate of one-for-one, for paid employees. Unfortunately, this assumption is counterfactual (Brudney 1990, Brudney & Gazley 2002). Volunteers, as a rule, have neither the formal training nor the experience of paid employees, so it is likely that an organization would hire fewer full-time equivalent employees should all of its volunteers quit en masse, and some jobs would be of so little economic value that they would not be performed at all. The replacement cost valuation model probably overstates the economic value of volunteers to an organization.

This model also assumes that the value of volunteers as a group is equal to the sum of their individual values. The paper I propose to present challenges this assumption by exhibiting several similar organizations where managers at all levels value volunteers as a group, but do nothing to replace leavers, indicating that they do not value the work of any particular volunteer. Using the economic concept of revealed preference, we infer from this evidence that the sum of the economic value of volunteers taken one-at-a-time is zero, although the expressed value of volunteers as a group is positive.

The field research took place at five elder care facilities owned and operated by Southern Cross Care of Tasmania (Australia) in the fall of 2002, consisting of 20 on-site interviews with Board members, senior administrators, and staff (nursing supervisors, "diversional" therapists, and pastoral care personnel, some of whom are union members). The volunteer program is informal without full-time central-, or even facility-level, management. Interviewees agree volunteers perform different functions from paid staff as Brudney's work suggests. They report that volunteers do things expected of family members, not staff.

Combined, the facilities have 120 volunteers on their mailing lists, not including board members and

persons who provide occasional musical entertainment. The author “guesstimates” there may be as many as 80 other volunteers who do not appear on the mailing lists. Whatever the actual number, staff members all say there is not enough. Everyone expressed the sentiment that having volunteers was “good for the residents” and the organization’s leadership wants to formalize the program and expand it. This is evidence that volunteers as a group are valuable to the organization.

There is other evidence that, individually, nearly all volunteers have zero economic value to the organization. First of all, its care-giving revenue is controlled by the government and it is unaffected by the presence or absence of volunteers. Secondly, when staff members quit, they are replaced, but when a volunteer quits, the organization rarely recruits another to take her or his place. This disparity suggests that staff is indispensable (valuable), while individual volunteers are expendable (of no value).

Although this research is based on a small number of interviews at a few facilities of a single type, there is tantalizing evidence of other examples in different types of client-centered organizations. A study of a program that aims to reduce recidivism by assigning volunteer surrogate parents to juveniles on court-ordered probation reveals that nearly everyone involved in the program is highly supportive of it but there was no effect on recidivism (Mattick & Broderick 1975). Strong support for the program indicates that, as a group, volunteers are valued, but the lack of any measurable effect on recidivism hints that value of volunteers taken one-at-a-time is zero.

At one of the elder care facilities, a small group of volunteers who operate a profitable lunchroom provides an informative exception to the expendability rule. The lunchroom provides about AU\$25,000 a year (net of cost and space is provided) for extra equipment purchases. Each volunteer has specific duties, and when one quits, other lunchroom volunteers increase their own effort to get the job done until they can recruit a replacement, and they all take part in recruiting.

The evidence suggests two kinds of volunteers: those who provide public goods (non-rival and non-excludable) and those who provide private goods (rival and excludable). Volunteers of the first kind produce a highly valued public good, but it is impossible to establish the contribution of any individual to the whole, so all individuals have zero value. Because volunteers of the second kind provide private goods, it is possible to establish the contribution of particular individuals to the whole, making it possible to measure their economic value.

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**Paper Number:** PA051070

**Paper Title:** Housing Slum and Squatter Dwellers: Revisiting Theoretical Perspectives on NGO-State Relations

**Author(s):**

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### **Summary of Research**

Several broad typologies have been developed to examine NGO-government interactions. Among these, Najam's (2000) "Four Cs" framework has received considerable attention. The framework classifies relationships into cooperative, complementary, co-optative, and confrontational interaction styles. Taxonomies such as Najam's, though useful, fall short of: a) explaining why NGOs with similar goals rely on different tactics and strategies to advance their agendas with the state; and, b) capturing simultaneous and sequential existence of multiple interaction strategies between NGOs and government agencies. This paper will address these by linking research on urban political economy to research on organizational life cycles and strategic institutional change.

### **Description**

Theoretical progress in understanding interaction between nongovernmental organizations (NGOs) and governmental organizations recognizes the complexities in relationships between the two sets of actors. In an effort to sort the complexity and render multiple forms of interactions with some analytical clarity, several broad typologies have been developed (Seibel 1992, Coston 1998, Young 1999, Najam 2000). Among the more recent and well-cited analytical frameworks is the "Four Cs framework" developed by Najam (2000). Najam classifies relationships on the basis of varying and converging institutional interests and priorities of both NGOs and government agencies. As a result, the typologies that constitute the framework include cooperative, complementary, co-optative and confrontational interaction styles. Classifications of the type offered by Najam while useful analytically, focus on overt outcomes of interactions to the exclusion of micro level nuances which I contend are conducive to conceptual framing and critical to sorting the much touted complexity.

This paper draws from my dissertation field research and focuses on the formative years of three NGOs working in the city of Mumbai: Nivara Hakk Suraksha Samiti (NHSS), Youth for Unity and Voluntary Action (YUVA), and Society for the Promotion of Area Resource Centres (SPARC). I use a multiple-case study method with two units of analysis. The primary unit of analysis is the NGO. For each NGO, I focus on critical incidents in their histories, particularly as they relate to interactions with government agencies over housing. These incidents or "key housing interventions" are my second, or nested, unit of analysis. Description of three key housing interventions – one in each NGOs' formative years - draws on in-depth semi structured interviews, impromptu group interviews, archival research of NGO and government records, and participant observation of NGO-community interaction.

The paper puts forth two key and related arguments. Firstly, NGOs with similar goals are likely to rely on different tactics and strategies to advance their housing agendas. Despite similarity in formative conditions, participating housing NGOs were found to display internal as well as intra-organizational diversity. Early NHSS interaction with government was based on collective protest whereas YUVA engaged in community mobilizing and organizing as well as institutional tactics of lobbying through participation in national and city level advocacy campaigns. SPARC significantly digressed from the existing repertoire of accepted tactics to engage in forming tactical alliances with federations of the poor and government departments. The experiences of founding members of NGOs, their core values and beliefs, housing philosophy, and needs of their client community, were found to work together to create distinct NGO understanding of the significance and role of the state in housing slum and squatter residents.

This being said, a second key argument calls for more robust frameworks for discussing NGO-government interactions. Prevailing taxonomies fail to capture the simultaneous possibility of multiple

interaction strategies existing between individual NGOs and government agencies. Even though confrontation was an overarching strategy defining NGO-government interaction in their formative years (during the 1980s), my analysis of program-level tactics deployed by each NGO, brings to light the simultaneous and sequential prevalence of other relationship types. Tactics used were therefore not just different across NGOs but were deployed alongside other strategies which reflect a willingness to cooperate, a tendency to co-opt, and complement the strategic interests of the state. Whilst in some policy arenas clear 'battle lines' are drawn, overall, in housing, the characteristics of NGO interventions is fragmented, rapidly shifting and multifaceted, with important implications for theories of NGO-government relations and housing policy implementation.

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**Paper Number:** PA051075

**Paper Title:** Developing a new theory: A Symbiotic Explanation of the Relationship between the Taiwanese Welfare State and the Voluntary Sector

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### **Summary of Research**

Over the past few decades, Taiwan has built its own welfare regime. Within this regime social welfare ideas continue to be affected by traditional notions of paternalism and altruism, which are fermented within the context of Confucianism. Like many Western welfare states, the Taiwanese government has utilized the voluntary sector to provide social services for a long time. Thus, issues surrounding the relationship between the state and the voluntary sector are becoming increasingly important in Taiwanese social policy. This paper aims to explore the relationship between the Taiwanese welfare state and the voluntary sector within the context of Confucianism.

### **Description**

Over the past few decades, Taiwan has built its own welfare regime. Within this regime social welfare ideas continue to be affected by traditional notions of paternalism and altruism, which are fermented within the context of Confucianism. Like many Western welfare states, the Taiwanese government has utilized the voluntary sector (that is, the 'nonprofit' or 'third' sector) to provide social services for a significant period of time. Thus, issues surrounding the relationship between the state and the voluntary sector are becoming increasingly important in Taiwanese social policy. This paper aims to explore the relationship between the Taiwanese welfare state and the voluntary sector within the context of Confucianism.

There exists some literature which focuses upon the characteristics of the Taiwanese social welfare ideology and welfare regime. Some of this literature argues that Chinese social welfare ideology is primarily based on the traditional notions of paternalism and altruism, which are fermented within the context of Confucianism (eg Chan, 1985; Lin, 1990; Chu, 1993). Other literature indicates that the Taiwanese welfare regime is mainly based on the need to acquire occupational social insurances and that it relies on families, communities and the voluntary sector to provide personal social services (eg Midgley, 1986; Jones, 1993; Goodman & Peng, 1993; Ku, 1997).

Western literature on the relationship between the state and the voluntary sector provides explanatory theories (eg Salamon, 1995; Lewis, 1999; Young, 2000). It also draws attention to the types of the relationship (eg Wolfenden, 1978; Kramer, 1981; Gronbjerg, 1987). In Taiwan, many academics (eg Lin, 1992; Leu, 2001) have adopted the theories of Western societies and there is still no theory which is grounded in the specific Taiwanese circumstances. Thus, this paper develops a new theory 'symbiotic theory' which explains the interaction between the Taiwanese welfare state and the voluntary sector in terms of: resource dependency, professional ability, and power relations or interactions.

The theory has been developed from an empirical study conducted in Taiwan. Following mixed methodologies (Creswell, 1994; Punch, 1998; Tashakkori & Teddlie, 2003; Lewis & Ritchie, 2004), the study used a combination of quantitative and qualitative methods in order to explore the nature of the Taiwanese voluntary sector and its relationship to the state. 103 questionnaires were returned from a sample of 485. Following the questionnaires, twenty five Chair Persons or Executive Secretaries of social service voluntary sector organizations were interviewed using semi-structured interviews.

The study identified key factors in building a good relationship between the state and the third sector in Taiwan: personal networks, modest attitudes and professional abilities. The government utilizes various strategies to fund the voluntary sector including: subsidies, delegation and contracting-out. The result of such funding mechanisms is that voluntary organizations have to propose projects to apply for funding from government, and have to have basic professional abilities, skills or knowledge to write a proposal

in the first place.

The paper draws attention to the distinct nature of the relationship between the Taiwanese government and the voluntary sector. It is grounded within formal legislation such as the Civil Association Act (2002). This Act determines the nature of the relationship particularly with regard to organizational administration. In addition to this legislative relationship, this study identified three other types of extant symbiotic relationships in Taiwan: mutual benefit relationships, government-benefit relationships, and voluntary sector-benefit relationships.

In summary, this paper contributes to academic knowledge by developing a symbiotic model. It identifies three distinct relationships between the Taiwanese welfare state and the voluntary sector. The paper concludes by highlighting the need for the Taiwanese government to develop a strategy for involving the voluntary sector in social services provision.

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**Paper Number:** PA051076

**Paper Title:** The Comparative Impact of Welfare State Restructuring on the Nonprofit and Voluntary Sector in the US and Canada

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### **Summary of Research**

American and Canadian welfare states have undergone significant restructuring. This paper assesses the extent to which these changes have affected the ability of nonprofits in the US and Canada to respond effectively to client needs and the nature of changes in nonprofit organizational structures, administrative processes, and inter-organizational relationships. Research in the US shows that welfare reform has produced unforeseen consequences for nonprofit sector capacity and inter-organizational relationships. Despite significant welfare state restructuring, the antipoverty effectiveness of Canada's welfare state remains higher than in the US. Therefore, similar, although less severe, impacts on the voluntary sector are expected in Canada.

### **Description**

In the last two decades social welfare policy in Canada and the US has moved away from federal government-controlled financial support for low-income families (however generous) to efforts to move those receiving social or public assistance into the paid labor force. Devolution of welfare services to nonprofit and voluntary sector providers and tightening of eligibility requirements are key features of welfare state restructuring in both countries. This approach to poverty and the role of government in aiding the poor marks a shift from Keynesian to neo-liberal forms of governance, characterized by increasing marketization, a redrawing of the public/private distinction, emphasis on the individual, and decreasing state expenditure in social arenas. Despite these changes, social welfare programs in Canada continue to have a more significant redistributive impact than those in the US.

The purpose of this paper is to provide information that will facilitate comparison of the impact of welfare state restructuring on the nonprofit and voluntary sector in Canada and the US. There is a good deal of research that defines the welfare state and traces restructuring in each country and some that compares the two countries. There is a growing body of research about the negative impacts of welfare state restructuring on the nonprofit and voluntary sector in the US. Canadian analysts have recently begun to focus on the general parameters of the government/voluntary sector relationship (Banting, 1999; Brock, 2002; Brock & Banting, 2001, 2003). The impact of welfare state restructuring is seen as problematic in Canada (Banting, 1997; Evans, 2002). However, in contrast to the US literature, Canadian researchers tend to examine specific types of nonprofit and voluntary organizations (Riches, 1986, 1997) or focus on particular locations (Hall & Reed, 1998; Ismael & Vaillancourt, 1988; Laws, 1988; MacDonald, 1998; Rekart, 1993) rather than the implications of restructuring on the nonprofit and voluntary sector in general (Brooks, 2001; Miller, 1998; Rekart, 1999). There appears to be minimal research that compares the impacts of welfare state restructuring on the nonprofit and voluntary sector in the two countries (Curtis, 1998).

Nonprofit and voluntary social service organizations in Canada and the U.S. have traditionally played innovative roles in responding to community needs. Earlier relationships with government in both countries were characterized as complementary, with services provided to a diverse range of groups through grant funding. In the past two decades the nonprofit and voluntary sector has taken a more central role in the provision of social services through the introduction or expansion of contracting for services, which has changed the nature of government and voluntary sector relationships. The establishment of the Voluntary Sector Initiative Accord between the Government of Canada and the Voluntary Sector highlights the importance of the voluntary sector to the Canadian government and the need to establish positive and effective relationships between the government and community partners. There is not a comparable effort in the United States.

As nonprofit and voluntary sector organizations become increasingly involved in providing welfare state services, questions about nonprofit and voluntary sector capacity, accountability and advocacy are raised. What are the effects of welfare state restructuring on Canadian nonprofit and voluntary social service organizations' ability to respond to client and community needs? Have there been any changes in the missions of Canadian nonprofit and voluntary social service organizations, their organizational structures and administrative processes, their staffing patterns or their use of volunteers as a result of changes in government funding associated with restructuring? In what ways have nonprofit and voluntary social service organizations in Canada engaged in collaborative efforts to influence the state's welfare restructuring policies and practices?

Paralleling the interview protocol used in the US, in-depth interviews with nonprofit and voluntary sector organizations providing services to low-income Canadians are being conducted. The in-depth interview protocol includes questions about whether aspects of work (productivity, stress, morale, ability to help clients, ethical issues, job satisfaction) are affected by welfare state restructuring, whether restructuring affects agency operations (fit between client problems and agency services, increase or decrease in clients or programs, introduction of new services), whether restructuring affects program operations (fund raising, staff training, staff skills, overtime, turnover, caseloads, paper work, use of existing services, need for new services, collaboration with other agencies), whether restructuring has affected agency or program funding levels, whether the agency has participated in any activities to address changes in the welfare state, whether restructuring has affected agency advocacy activities, and what information, training, or other support or assistance the agency staff and clients need to respond effectively to welfare state restructuring.

Until recently, relatively little attention has been given to the relationship between the welfare state and the nonprofit and voluntary sector in Canada. In contrast, as noted above, US researchers have examined this relationship (in the US) in some detail. There appears to be minimal research which compares the impact of welfare state restructuring on the nonprofit and voluntary sector in Canada and the US. The research described in this paper will help fill this gap by examining the impact of welfare state restructuring on the nonprofit and voluntary sector in Canada and in the United States.

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**Paper Number:** PA051078

**Paper Title:** Understanding the Revenue Mix of Nonprofit Organizations

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**Summary of Research**

This paper sketches a theory of nonprofit revenue portfolio composition and tests hypotheses using IRS 990 data for three narrowly defined nonprofit industries. First, we posit that the more closely an organization's output resembles a public good the more it will depend on non-earned income. Second, diversification of a nonprofit's income is related to its need to manage risk. Third, diversification of income may be understood in terms of organizational life cycles - young nonprofits are likely to depend on fewer sources of income while mature ones are likely to seek stability through diversification over time.

**Description**

□ Nonprofit organizations finance their operations through a wide variety of sources, including charitable contributions, government grants and contracts, earned revenues from fees and commercial ventures, and returns on investment. Earlier research has demonstrated that the content and variation of nonprofit revenue portfolios varies by broad fields of service. There is some evidence also that revenue diversification may be positively related to the size of a nonprofit organization, as measured by its asset base, to indicators of financial health, such as operating surpluses, and to a relative reliance on donations compared to earned income (Chang and Tuckman, 1994). However, an explicit theory of nonprofit revenue portfolio composition remains to be developed, and hypotheses concerning both the degree of revenue diversification and the specific content of nonprofit revenue portfolios, generated from such theory, are yet to be tested empirically.

□ The present paper proposes to sketch a theory of nonprofit revenue portfolio composition and to test propositions from that theory using sample data from IRS 990 forms for three different narrowly defined nonprofit industries. Three strands of theory will be explored. First, the dependence of a nonprofit organization on a particular type of revenue will be considered in the context of public goods theory. Here it is expected that the more closely an organization's output corresponds to the character of a public good (in terms of nonrivalry and nonexcludability) the more it will depend on non-earned income sources such as gifts and grants. Second, the diversification of a nonprofit's income portfolio may be related to its need to manage risk. Hence, the portfolio management concepts of finance theory come into play. According to this viewpoint, organizations with a weak asset base, or in a volatile field of service, or located in a region that is less supportive of nonprofit organizations, are more likely to diversify their sources of funds. Moreover, larger organizations, which can be expected to contain more organizational slack, may be less at risk than smaller ones, hence less inclined to diversify. Third, diversification of nonprofit's income portfolio may be understood in terms of organizational life cycle theory. Here, one may expect that a young nonprofit is likely to depend on fewer sources of income than an older one. However, as an organization matures it is likely to seek stability through income diversification over time, as a way of overcoming the "liability of newness".

□ These three strands of theory suggest that significant differences should exist in the income portfolios of nonprofit organizations, along the following lines:

- □ Dependence on particular revenue sources should vary by nonprofit industry according to the public/private character of the services provided, and perhaps by the philanthropic generosity of the region in which they are located

-□Diversification of revenue sources should vary by nonprofit industry, asset base, organizational size, organizational age and location

□This paper will develop the above theory into formal hypotheses for testing, using samples from three fairly narrowly defined nonprofit industries as selected from the National Taxonomy of Exempt Entities (NTEE) – specifically, Performing Arts Centers (NTEE code A61), Community Health Systems (NTEE code E21) and Environmental Beautification and Open Spaces (NTEE code C50). (Roughly speaking, these categories represent a progression from more private type to more public type goods.) Samples of approximately 100 each have been randomly selected within these categories from the 990 forms for the years 2000 to 2002.

□Multiple regression models with the following dependent variables - a Herfindahl index to describe revenue diversification, and percentage of revenues from earned income sources and non-earned income sources to describe specific revenue dependencies – will be estimated, with independent variables including industry dummies, size as measured by budgets, assets or employment; organizational age since incorporation; region and urban/rural location. Results of the regression analyses will be interpreted in light of the theories described, and recommendations will be made for further data collection, analyses and theory refinement, to advance general understanding of revenue portfolio development by nonprofit organizations in alternative circumstances.

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**Paper Number:** PA051080

**Paper Title:** From the Ground Up: Grassroots Organizations Making Social Change -- The Structure of Social Change Organizations

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**Summary of Research**

This paper reports on our findings on organizational structure from our book (forthcoming) *From the Ground Up: Grassroots Organizations*. We describe different forms of internal decision-making structures in social change organizations ranging from traditional hierarchies to staff and constituent collectives. We also identify levels of constituent participation in organizational decision-making and activities. Finally, we examine the impact of external factors on decision-making in these organizations

**Description**

This paper reports on our findings on organizational structure from our book (forthcoming) *From the Ground Up: Grassroots Organizations Making Social Change*. Using data from interviews of directors and staffs from 16 social change organizations (SCOs) supplemented by information from 990s, and both popular and scholarly accounts of the organization, we look at the organizational structure and decision-making of small and mid-sized social change groups.

The literature on structure in activist nonprofits tends to focus on the contrast between bureaucratic and collectivist-democratic forms, with most real organizations seen as blending the features of both forms. (Martin, 1990; Lofland, 1996; Baker 1982; Ferguson, 1984; Rothschild-Whitt, 1979; Alter, 1998; and Bordt, 1997) Our study highlights two related but distinct dimensions of decision-making in social-change organizations: the way authority is distributed internally (among directors and staff members) and the openness of the organization to client or constituent influence.

We identify six forms of internal decision-making structures used by social change groups ranging from traditional hierarchies to staff and constituent collectives. We also identify five levels of constituent participation in organizational decision-making and activities. The paper describes these forms and then maps them onto a typology of the groups' approach to social change work.

We look at the variety of influences on structure, including size, age, funding sources, type of work performed, environmental complexity and stability, and values or ideology. (Smith and Lipsky, 1993; Mintzberg, 1981; Gross et al., 1998; DiMaggio and Powell, 1983; Milofsky, 1987; Bordt, 1997; Alexander, 1998; and Alter, 1998.) In our analysis we highlight work and environment, which are relevant to structure in all organizations, but have different meanings for the structure of social change organizations.

The literature suggests that organizations should be structured in ways that support the work they are trying to perform. In particular, technical aspects of the work itself—including the tasks interdependencies and complexities—should inform structural choices relating to the grouping of activities as well as the centralization of authority. (Mintzberg, 1981, 1983; Burns and Stalker, 1961; Perrow, 1967; Thompson, 1967) What we find in SCOs is that is more the aim than the technique of work that matters, and the aspect of structure that varies in conjunction with work is the dimension of constituent participation rather than how activities are grouped or even the internal decision-making structure. In terms of the influence of environment on structure, we find it is not only complexity and stability (Mintzberg, 1981) but issues relating to legitimacy that matter for social change organizations.

**Paper Number:** PA051082

**Paper Title:** Dialogic Communication in the Nonprofit Sector: How Are Colleges and Universities Using the Web to Build Relationships?

**Author(s):**

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### **Summary of Research**

This study will provide an exploratory prescription for building more effective Web sites by examining the relationship-building function of the World Wide Web for the nonprofit sector. This study will explore the communications implications of the extent to which dialogic characteristics are used on the Web, the extent to which characteristics of online giving are utilized as a form of interaction, and with which publics these organizations are seeking to engage in dialogue through the use of their Web site. The study will include a content analysis of Web sites for 128 college and universities represented in the Philanthropy 400.

### **Description**

“As the world’s largest information source, the Internet provides the public relations industry with an exciting communication medium offering unlimited message dissemination potential” (Wright, 2001, p. 2). The Web offers nonprofit organizations a communication tool to reach numerous publics: the media, donors and volunteers, potential donors and volunteers, corporate partners, potential granting agencies, and more. “With the arrival of the WWW... local NPOs now have the opportunity to take their message global with same level of funding [as other organizations]” (Elliott, Katsioloudes, & Weldon, 1998, p. 300). But, the question is, are nonprofits taking their message global and using the Internet and their Web sites to the full extent this communication tool provides?

A handful of articles have been published on how to build effective Web sites for nonprofits and how to utilize technology in nonprofit efforts (Making Web Sites, 2004; Wallace, 2001; Wallace, 2004; Greene, 2001). There have even been findings that more nonprofit organizations, specifically foundations, are producing online annual reports, rather than printed publications (Kerkman, 2003). However, most research focusing on the Web as a communication tool for nonprofits explores current efforts by organizations with a case study approach (Greene, 2001), or a simple reporting mechanism, such as, what NPOs are doing on the Web (Nonprofit Organizations and Technology, 2001).

Online giving is a Web-based tool that is unique to nonprofit organizations. Online giving offers opportunities for interactivity, including the ability to secure donations as well as to assist in the relationship-building process between organizations and publics. While there have been several surveys (Austin, 2001; Larose, 2003; Wallace, 2001; Wallace, 2002; Wallace, 2003; Wallace, 2004) reporting the dollar totals for online donations, online giving has not been explored as a relationship-building tool on NPO Web sites either.

In the last five to six years, the relationship-building function of the World Wide Web has begun showing up in public relations research. Kent & Taylor in 1998; Kent, Taylor and White in 2001; and Taylor, Kent & White again in 2003 appear to be the most-widely published on the subject. Their studies focus on using dialogic communication to build relationships between organizations and publics through the use of Web sites. In 1998 they detailed the theoretical framework to “facilitate relationship building with publics through the World Wide Web” (p. 321). Kent & Taylor detailed five principles as guidelines for the “successful integration of dialogic public relations and the World Wide Web” (p. 327-334). These five principles include: a dialogic loop, usefulness of information, generation of return visits, intuitiveness of the interface, and conservation of visitors (p. 327-334).

Importantly, there has been very little research, if any, specifically on nonprofit organizations (NPOs) that explores how these organizations are building and maintaining relationships through their Web sites. The purpose of this study is to examine the relationship-building use of the World Wide Web by

one type of nonprofit organization, colleges and universities. The study's goal is to examine the use of Web sites by colleges and universities to determine the extent to which they use effective dialogue to build organization-public relationships. More specifically, the study will also explore the use of online giving as a tool for building relationships between colleges and universities and their potential and current donors.

This study will provide an exploratory prescription for building more effective Web sites by examining the relationship-building function of the World Wide Web for the nonprofit sector. This study will explore the communications implications of the extent to which dialogic characteristics are used on the Web and the extent to which characteristics of online giving are utilized as a form of interaction. The study's goals will be accomplished through a content analysis of Web sites for 128 college and universities represented in the Philanthropy 400.

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**Paper Number:** PA051083

**Paper Title:** A Comparative Study of Organizational Structure, Behavior and Performance in For-Profit Firms, Government Organizations, and Nonprofit Organizations in Four Industries

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### **Summary of Research**

The paper will focus on for-profit firms, government, and nonprofit organizations that compete in the same markets. How do outcomes? How does organizational structure (decision-making, incentives, hierarchy, etc.) compare? Do these organizations specialize in certain product niches? Why and how? Do they cater to different types of customers? Do they employ different workers? Are there differences in production efficiency? How do customers fare comparatively? How do workers fare? The empirical investigation will focus on organizations from the three sectors that operate in the child care, housing services, job placement, and vocational training industries in Minnesota.

### **Description**

The following is an extract from a grant proposal (funded by the Aspen Institute) that describes the main features of the project. The paper that I plan to deliver in November will be based on the theoretical framework and on preliminary empirical findings.

The question which sector should provide various services is being contested daily. Should children be educated in for-profit, nonprofit, or government schools? Who should run prisons? Who should transport, feed and dress soldiers, interrogate prisoners, indeed, fight wars? Who should train unemployed workers, govern the internet, provide water, operate trains, or send people into space? Where are children cared for best? These and other questions are being examined continuously in the United States and around the world.

Studies, many focusing on the health care industry, have looked at differences in performance and behavior of for-profit firms, nonprofit organizations, and government organizations. The findings of these studies are illuminating with respect to specific questions, but do not provide an answer to the overarching question of which sector is most desirable from the perspective of policy makers, customers, or other groups. The extant literature is particularly deficient at the empirical level because it has (1) explored only limited aspects of the general problem of comparative performance, neglecting tradeoffs among price, quality, variety and access, (2) ignored the reasons why organizations from different sectors operate in the same industry, and (3) neglected differences in internal organization.

The proposed project will address these issues at the theoretical and empirical levels. It builds on and extends my theoretical and empirical work in the areas of comparative organizational structure and performance, and promises to supply a detailed understanding of how for-profit, nonprofit and government organizations are organized and perform in four narrowly-defined industries or organizational fields. The industries to be studied include child care, housing services, job placement, and vocational training. Hundreds of Minnesota organizations from the three sectors, and employees, volunteers, owners, board members, and customers of a sample of organizations, will be surveyed extensively to obtain a detailed picture of how they are organized and how they perform. Focusing on a single state offers unique advantages, including a common legal, regulatory and policy framework, similar community characteristics, resources, and culture, the availability of state-collected information, physical access to organizations, and the likelihood of higher response rates to a study carried out in the state's preeminent higher education institution.

The cross-sectoral differences will be linked not only to broad sectoral identities – for-profit, nonprofit, and government – but also to differences within sectors, such as closely-held vs. publicly owned for-profit firms, secular vs. religious nonprofit organizations, and various levels of government. The findings

will provide public policy, organizational policy, and grant-making implications of these cross-sectoral differences.

### Research Questions

The proposed project will investigate theoretically and empirically how organizations from the three sectors are organized and how they perform in four narrowly-defined industries where they coexist, all in the State of Minnesota where they face similar laws, regulations, and fiscal environment. The investigation will concentrate on three sets of questions.

1)  Organizational Outputs and Outcomes – What difference does an organization's legal form, or sector, make to the customers and other stakeholders served by the organization, the manner in which services are provided by the organization, the range or type of services, the cost of services, and their effectiveness? This question concerns the interface between an organization and its customers. Customers care about many dimensions of a good or service, including its price, quality, variety, availability and reliability, all of which are under the control of the providing organization, as a consequence of the pursuit of their objectives and as a result of their organizational structure.

2)  Organizational Structure and Decision-making – What difference does organizational form make to the organization of work, allocation of decision-making power, form and level of compensation, workplace safety, influence over the organization held by insiders and outsiders, and so on? This question relates to organizational structure, which concerns the mechanisms that induce various members of an organization to deploy the level and type of effort that promotes the organization's objectives.

3)  Ownership Trends over Time – How has the proportion of nonprofit, for-profit, and government agencies in the four industries in Minnesota varied over time? This is a synthetic measure of changes over time in the relative strength of the three sectors. It reflects how well the three types of organization interact with their customers and how well they harness their employees' efforts, as well as a myriad of external factors such as the availability of support directed at some but not all types of organization.

**Paper Number:** PA051084

**Paper Title:** The Capital of Giving: Effects of Social, Human and Cultural Capital on the Level of Charitable Donations

**Author(s):**

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### **Summary of Research**

In this paper, we investigate the effects of economic capital, social capital, and cultural capital on household donating behaviour in the Netherlands. Main goal of the paper is to answer the question why some people donate more money to philanthropic causes than others. We will expand on previous research by constructing a clear conceptual framework in which the importance of the different effects of social capital, economic capital and cultural capital on donating behaviour becomes clear. Furthermore, we will test our assumptions with the Giving in the Netherlands Panel Survey, which enables us to test these effects very accurately.

### **Description**

Why do social capital, economic capital, and cultural capital have an effect on donating behaviour? First, we consider the effect of social capital. Social capital consists of the social resources that help people achieve their goals more efficiently. Previous research on philanthropic behaviour found social capital important for predicting donating behaviour (Bekkers 2004; Bryant et al. 2003; Wilson and Musick 1997). There are two reasons why social capital affects the amounts households donate towards philanthropic causes. First, social capital is an indication for the social interests people have. The larger and the more diverse someone's network, the more socially interested someone probably is, enlarging the probability of making significant philanthropic donations. The reverse is also true: Knowing people in different social layers of our society, will broaden someone's worldview and make people more perceptive for giving to others. Second, the social environment people live in determines to a large extent their actions. If people live in an environment in which it is a norm to make large philanthropic donations, complying with this norm implies making significant contributions to philanthropic causes.

Having more social capital thus leads to making larger philanthropic donations. But, is this relationship as direct as we think it is? Bryant et al. (2003) emphasise the influence of receiving requests for donations on charitable giving. They state that there is a selection effect in making philanthropic donations caused by rationalized soliciting procedures executed by philanthropic organisations (Bryant et al. 2003: 47). We follow Bryant et al. in their statement that being asked to donate is an important aspect in understanding philanthropic donations and incorporate their argument in our conceptual framework. We argue that the selection effect of soliciting is not due to shrewd calculating fundraisers, but is an effect of people's social capital. The more social capital people have, the higher the chances they are solicited for philanthropic donations, the more they donate.

Next, we consider the importance of economic capital for making large philanthropic donations. Economic capital consists of the personal financial resources people have access to. Previous research leaves us with evidence for the positive relationship between financial resources and philanthropic donations (e.g., Rooney, Steinberg and Schervish 2001; Smith, Kehoe and Cremer 1995; Wiepking 2004). Of course, in order to give money away, people need to have a surplus of financial resources. A reasonable life standard is needed. People will only give money away which is not needed for basic human needs, such as food and housing. And probably they will also put their personal expenditures on luxury goods above the spending on philanthropic donations. Economic capital is therefore very important for making charitable donations.

Next to economic and social capital, Wilson and Musick (1997) and Bryant et al. (2003) point out cultural capital as an important factor in explaining philanthropic donations. We use the concept of cultural capital in line with Bourdieu's (1973) original ideas about cultural capital, namely the knowledge

of and participation in higher culture. And especially the participation in the culture of elite philanthropy. People who join service clubs (such as rotary and Lyons) are more likely to be major philanthropic donors than people who do not actively engage in elite philanthropy. Ostrower (1997) and Odendahl (1990) give interesting examples of how the generosity of philanthropic elites work. In the United States, philanthropy is an upper class lifestyle that serves as a vehicle for the social and cultural life of their class. We will investigate if there are also philanthropic elites in the Netherlands and if so, whether this has an effect on household donating behaviour.

#### Data

We use the second wave of the Giving in the Netherlands Panel Survey (GINPS03) in order to test our assumptions. For GINPS03, 1316 respondents were questioned about their donating behaviour in 2003, using Computer Assisted Self-Administered Interview procedures (CASI). Overall, no less than 96 % of the Dutch households made at least one donation to a philanthropic cause in 2003. Their mean donation is 270 euro, and the median donation is somewhat lower, 75 euro.

The GINPS03 includes detailed information about household donations as well as respondent's social capital (such as network size, network status, having children, church attendance), economic capital (such as household income, wealth, owning a home and using tax benefits to deduct philanthropic gifts), and cultural capital (for example membership of service clubs).

#### Preliminary results

Preliminary results indicate that the conceptual framework with social, economic and cultural capital is very useful in order to predict household donating behaviour.

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**Paper Number:** PA051087

**Paper Title:** Faith-Based Charity and Crowd Out During the Great Depression

**Author(s):**

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**Summary of Research**

In this paper, we investigate the extent to which the New Deal crowded out church charitable spending in the 1930s. We do so using a new nationwide data set of charitable spending for six large Christian denominations. Using instrumental variables regressions, we find that higher government spending leads to lower church charitable activity. Our estimates suggest that church spending fell by 30% in response to the New Deal, and that government relief spending can explain virtually all of the decline in charitable church activity observed between 1933 and 1939.

**Description**

Recent years have seen increased interest in religious organizations as providers of social services. Starting with the passage of "charitable choice" legislation in the 1990s and continuing with the establishment of Faith-Based and Community Initiatives Centers throughout the executive branch of the Federal government, policy makers have dramatically increased the opportunity for church-state cooperation in aiding the poor. Part of the impetus behind this policy trend is the argument, advocated by individuals such as the influential Marvin Olasky (1992), that the current welfare state is inferior to the relief services historically offered by churches and other private organizations. As Olasky writes, "Isn't it time we realized that there is only so much that public policy can do?...Isn't it time to realize that only a richness of spirit can battle a poverty of soul?" (page 232).

□ It is certainly true that churches and other faith-based charities played a larger role in the past than they do today. In the 1920s, churches were a relatively large source of charitable services, even compared to the government. In 1926, congregations spent over \$150 million on projects other than church maintenance and upkeep (Bureau of the Census, 1930). That same year state governments spent \$23 million and local governments spent \$37 million on programs the Census Bureau identified as charitable in nature. Charitable church spending far exceeded relief spending undertaken by the Federal Government, which at the time was negligible. Yet church charitable activity fell dramatically starting in the early 1930s, at the same time that the role of the government grew through the New Deal. This raises the central question of whether the growth in government social service provision "crowded out" charitable activity by churches.

□ In fact, we know very little about the interaction between public sector spending and church benevolence during the depression or even today. Indeed, this uncertainty extends to the larger literature on the crowd out of private charitable contributions by government activity. Despite theoretical and laboratory results suggesting that crowd out should be large, the empirical literature on crowd out yields a wide variety of estimates, most close to zero.

□ In this paper, we directly model the impact of government spending on church charitable activity, with two goals: to understand specifically how the government interacts with church benevolence, and to provide more generally a convincing estimate of the extent of crowd out in one sector. To do so, we investigate the extent of crowd out of charitable church spending by government relief spending during the Great Depression. This is a particularly interesting era to analyze both because of the crucial role that historical faith-based charity plays in current policy debates, and because the New Deal represented an extraordinary expansion in the role of government, as public-aid expenditures increased more than six-fold from 1933 to 1939 (National Resources Planning Board, 1942).

□ A difficulty in such an analysis is that the New Deal was a response to changing economic conditions. It may be the recession, not the New Deal, which led churches to contribute less. We therefore propose an empirical strategy based on two insights. The first is that there exists for a number of major Christian denominations church yearbook data that detail church benevolent activity not only nationally, but locally as well. We use these data to build a data set of church charitable activity by state and year

from 1929 to 1939, for six of the largest Christian denominations of this era, representing more than 20% of all churches in this era. We also use data from the Census of Religious Bodies, a national, multi-faith, decennial survey covering the vast majority of all religious adherents in the country. We match both of these data sets to information on New Deal-related relief spending by state and year.

□The second insight is that there is a natural instrumental variables strategy which can allow us to disentangle the causal role of government spending on church charitable activity: using changes in the political power of state congressional delegations over this period. As in Fishback, Haines, and Kantor (2002), we consider the power of a state's congressional delegation as an instrument for the distribution of New Deal spending. In particular, we follow Anderson and Tollison (1991) and Couch and Shughart (1998), by considering the tenure of a state's representative on the House Appropriations Committee as a strong predictor of New Deal relief spending. Changes over time in that tenure, after the New Deal is in place relative to before, are exogenous predictors of the distribution of New Deal spending.

□We also consider an alternative instrumental variables strategy, based on the fact that similar states often faced very different constitutional restrictions when financing relief. These restrictions may have affected states' abilities to exploit the matching properties inherent in many New Deal relief programs, again creating a plausibly exogenous source of variation in relief spending.

□With both these strategies we find strong evidence that the rise in New Deal spending led to a fall in church charitable activity. Our estimates suggest that each dollar of government relief spending in a state led to between three and seven cents less church spending. These results are robust to a number of different tests and specifications.

□This is a small level of crowd out in dollar terms, but it is large in proportional terms, since at the start of the period church spending amounted to 10% of the size of the New Deal. Relative to this baseline, there was a crowd out of at least 30%, which can explain nearly all of the time series decline in church benevolence over this period.

**Paper Number:** PA051088

**Paper Title:** Voluntary Disclosures and Individual Giving: An Experiment

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**Summary of Research**

Although financial measures are ideal for communicating nonprofit operating efficiency, they are ill-suited for measuring how well a charitable organization is meeting the needs of its beneficiaries. Qualitative, nonfinancial information, such as that contained in optional service efforts and accomplishments (SEA) disclosures, is more appropriate for assessing effectiveness.

This study uses a laboratory experiment to investigate whether voluntary disclosures of nonfinancial information are useful to individual donors making a charitable giving decision. We provide evidence that SEA disclosures are informative to potential donors and provide incremental information beyond required financial disclosures.

**Description**

Problem or Issue to be Addressed:

Anthony and Young (2003) argue that performance of nonprofit organizations should be measured on two distinct dimensions: efficiency and effectiveness. Although the financial measures currently available in informational tax filings are ideal for communicating efficiency, they are ill-suited for measuring organizational effectiveness. The Financial Accounting Standards Board (FASB) recommends providing supplemental disclosures of nonfinancial information, such as service efforts and accomplishments (SEA). But the FASB's standard's make these disclosures optional, and the IRS does not require similar disclosures on Form 990. As a result, nonfinancial disclosures are not usually widely available to potential donors.

The FASB (1980) and Cherny et al. (1992) suggest that operating effectiveness is the most important criterion on which a nonprofit should be judged. Hyndman (1991) and Khumawala and Gordon (1997) find that donors and other stakeholders claim that nonfinancial disclosures, such as those provided in SEA information, may be the most important information for decision-making. □ This study investigates whether the recommended SEA disclosures are informative to potential individual donors. We also consider whether SEA disclosures affect donation decisions.

Topic's Relation to the State of Knowledge in the Field:

Callen (1994) and Tinkelman (1999) find that greater reported financial efficiency is generally associated with higher subsequent donations. Parsons (2001) finds direct evidence that disclosing favorable financial efficiency in a fundraising appeal significantly increases individual donations. These studies provide evidence that the required financial information, which reports efficiency, is useful to donors. Our study explores whether voluntary disclosures of effectiveness can also impact a donor's giving decision. It extends findings from the capital markets literature that voluntary disclosures are value-relevant for investors and lenders (Verrecchia 2001).

Approach We Take:

This study uses a laboratory experiment to determine whether SEA disclosures are value-relevant to potential donors. We create a fundraising appeal, financial performance measures, and SEA information for a hypothetical charitable organization. The information we provide the research participants is loosely based on a charitable organization that serves poor children throughout the

world. The participants are asked to review one of the two versions of the fundraising appeal that we developed. The first fundraising letter includes only the kind of accounting measures that are publicly available to all donors. The second fundraising packet contains all the information from the first version, but adds voluntary SEA disclosures that quantify some of the successes the hypothetical organization has experienced over the last year. This type of information is usually unavailable to individual donors.

After subjects review the version of the fundraising appeal provided to them, they will be asked to assess its informativeness and state how likely they would be to respond to such an appeal. We expect to see higher assessments when voluntary nonfinancial SEA information is present.

#### Contribution to the Field:

This study expands what we know about whether and how potential donors use nonfinancial disclosure information in their giving decision. We provide evidence that potential donors believe SEA disclosures provide valuable information about a nonprofit organization and find that SEA disclosures are valued independently from required financial disclosures.

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**Paper Number:** PA051094

**Paper Title:** Studying the Roles of Nonprofits, Government, and Business: Youth Services in Phoenix-Mesa

**Author(s):**

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**Summary of Research**

There is debate about the services that businesses, governments, and nonprofits should provide and the role each should play in redistribution. Using diary data on 1,036 children in the Phoenix area in 2003-04 we found that for-profits served upper income families, white non-Hispanics, and long term residents. Government providers served lower income families, Hispanics, and short term residents. Nonprofits served upper income families, but did not discriminate on the basis of race or ethnicity or length of time in the community. Churches provided the fewest services, but served all income brackets, Hispanics and non-Hispanics, and newcomers and old timers.

**Description**

There is a continuing debate in the public administration literature about the appropriate roles of for-profits, governments, and nonprofit organizations (which includes faith-based groups) in the delivery of human services. While the economics literature (e.g., Weisbrod and Hansmann) has outlined a set of normative guidelines for when one form is more desirable than another, the empirical work continues to show that there is not a clear division of labor either in terms of service activity or clientele and there are not consistent differences in the way services are provided or the quality of service. Furthermore, there is continuing debate about the role of each sector in redistribution. While there is some agreement that this is not an issue for for-profits and the responsibility of government, there is no agreement about the role of nonprofits.

During the course of a typical Saturday children and families utilize a variety of services and venues in their communities. This study examines utilization patterns of 1,036 children in the Phoenix-Mesa metro area during the fall and winter of 2003 and 2004. We collected data via phone on the hourly activities of children, where they partook in these activities, and who provided these services. We are particularly interested in the latter and distinguish between business, nonprofit, congregational, government, and household service organizational forms.

Using hypernetwork sampling methods, we constructed the interface between population segments (e.g., based on income, age, gender, race/ethnicity, length of residence in the Valley), types of activity (e.g., personal care, sports, entertainment, arts/crafts, academic, socializing, religion), and types of provider (business, nonprofit, congregational, government, and household). We examine changes in the resource space, hour by hour, during the course of a typical Saturday.

We structure our analysis around the question: how do families come to use different types of providers? All analyses were done controlling for the type of activity provided by the organization, e.g., sports, developmental, eating and shopping, socializing, etc.

We first looked at household resources and found that for-profits tend to serve upper income families, white non-Hispanics, and those who have been in the community longer. Government providers tend to serve lower income families, Hispanics, and those who have been in the area longer. Nonprofits tend to serve upper income families, but do not discriminate on the basis of ethnicity or length of time in the community. In contrast, churches provided the fewest services, but served all income brackets, Hispanics and non-Hispanics, and newcomers and old timers.

We subsequently present qualitative data on users' preferences for nonprofit, government, and for-profit

providers. We find that there is no difference across income groups. Rich and poor have very favorable opinions of nonprofits and government providers.

We mapped the providers respondents identified using geographic information systems to see what kinds of providers are located in which types of neighborhoods. Looking at the number of each kind of provider in Phoenix area census tracts, we find that businesses, churches, and nonprofits are less likely to be located in low income tracts and are more likely to be located in middle and upper middle income areas. Government organizations tend to be located in low, middle, and upper middle income communities. We also find that the number of churches, nonprofits, and government providers increased as the percent Hispanic in the community increased.

We concluded that the use of different providers by different types of families is influenced by location, however, not all utilization patterns can be explained by location alone. We discuss what else affects the matching of client/user to provider.

**Paper Number:** PA051100

**Paper Title:** The Paradox faced while furthering Citizen Participation in Developing Countries: Case Study of India

**Author(s):**

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### **Summary of Research**

Promoting citizen participation in governance is the objective of several nonprofit organizations in developing countries. As these organizations work towards their mission, they find themselves faced with a paradox. Energies of majority of people in developing countries with high rates of illiteracy and poverty are spent in trying to make both the ends meet. Getting people to spend time on issues related to governance is a challenge. This paper explores the nature of this challenge by focusing on an appropriate nonprofit organization in India, and places issues faced by practitioners before a wider audience for further debate and research.

### **Description**

Several nonprofit organizations in developing countries are engaged in facilitating citizen participation in governance. Getting citizens involved in governance is perceived as absolutely crucial by these organizations for improving the living conditions of the people. As these organizations work towards meeting their respective objectives, they face a serious hurdle. Mobilizing citizens to spend time on governance matters is a challenge given the high rates of illiteracy and unemployment in these countries. Resources of majority of people in some of these countries are spent just in trying to make both the ends meet.

How do organizations in developing countries mobilize citizens to participate in governance? What are their strategies? What is the impact of these strategies? These are some of the questions that the study seeks to answer in the context of India by taking up the case study of the Foundation For Democratic Reforms (FDR), a non-profit organization engaged in mobilizing and training citizens in governance.

The FDR project involves training of 75,000 citizens over a period of four years both in the rural and urban parts of Andhra Pradesh, the fifth largest state in India. All the 23 districts of Andhra Pradesh are covered and attempts have been made to include also those areas affected by political extremism. A largely volunteer driven project, it aims at promoting citizen's awareness and facilitating their participation in governance. Training workshops have been undertaken, and cultural programs involving local folk art and music were held to get messages related to governance across citizens. Both training workshops and cultural programs have tried to relate the concerns of people with governance issues. The project is now in its last phase and thus makes it possible to study the various issues, challenges, and impact of the project.

This study uses multiple sources of information including the following:

- Literature review: Including FDR newsletters, newspaper clippings, articles, and correspondence of the organization with its partners.
- In-depth interviews: FDR staff, volunteers, trainers and participants of the project.
- Observation

Existing studies on citizen participation are largely focused on developed countries (Berry et.al; 1993; Brody, 2003; Cupps, 1977; King, 1999; Kluver, 2004; Waller, 2001). As some of this research analyzes the impact of citizen's intervention, they also debate around the very rationale for involving citizens in governance. Opinions have been expressed on the kind of issues that are not conducive for citizen participation. For instance those that require a great deal of technical understanding or those that need quick decisions are not seen conducive for citizen participation. Views have been expressed regarding the best way to further citizen participation. Encouraging citizens to join public forums along

with their neighbors and solve community related problems is one suggestion. There is a need to debate similar questions pertaining to the existing circumstances in developing countries. The objective of this paper is to raise awareness about the nature and issues related to citizen participation in India. It is hoped that this paper results in discussion and research on the subject leading to strengthening of citizen participation initiatives in India and probably also in other developing countries.

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**Paper Number:** PA051102

**Paper Title:** The Potential for Partnership – NGO Involvement in the European Policy and Decision-Making Process

**Author(s):**

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### **Summary of Research**

This paper examines the involvement of NGOs in the European Union decision-making process in the fields of social policy, environmental policy and development aid. It traces the emergence of civil dialogue (i.e., the involvement of non governmental organizations in EU procedures of consultation and law-making), and reviews the European Commission's promotion of partnership with NGOs as an effective method of influencing policy activity. The paper concludes that the reality of this relationship resembles more a coalition than a partnership and argues that recasting the relationship thus allows a clearer understanding of NGO/institutional interaction.

### **Description**

Problem or Issue to be addressed:

The Treaty of Rome gives no formal role to NGOs in the European decision-making process. This legal reality has not prevented such organizations over time creating alternative means to communicate with European policy makers. NGOs' need to be heard at European level is echoed in the European Commission's need for grassroots support for its policies, particularly in an age of alleged democratic deficit. How should this symbiotic relationship be classified and what difference does such classification make? This paper explores the effectiveness of partnership and civil dialogue as a method for NGO communication with European policy makers and the extent to which partnership provides a useful mechanism for influencing EU policy. It discusses the involvement of NGOs at each stage of the EU decision-making process from agenda setting and policy formation, to policy decision, and implementation in selected policy areas. It argues that the EU constitutes a unique legal order, governance of which is not subject to a single political theory. Given this multi-layered political context, it is futile to suggest that one can create a cohesive partnership template that will apply across policy sectors to all institutional relations with individual NGOs. The paper then suggests an alternative lens – the lens of coalition – through which to view NGO/EU institutional relations. Adopting this explicit conceptual lens facilitates critical scrutiny of the role of NGOs in EU policy processes. More suitable than partnership it focuses on multiple, interacting policy cycles involving multiple levels of government (Sabatier, 1993), which characterize the EU decision process.

Approach taken including data sources:

Forming part of my doctoral research on comparative aspects of charity regulation and partnership, the purpose of this paper is threefold. Part I outlines the types of liaison offered by European institutions to voluntary organizations through an assessment of Treaty provisions, European Commission Communications and Discussion Papers, European Economic and Social Committee Opinions and European Parliament and Council Resolutions. This paper relationship is then compared first with the legal concept of partnership and second, with European political concepts of partnership, such as social partnership – a term used to define the relationship between trade unions, employers' organizations and the European institutions. Part II examines the actual involvement of voluntary organizations in the European decision-making process by breaking down the process of decision-making into its constituent stages (Lasswell, 1951) and analyzing the input of voluntary organizations at each stage in the policy areas of development aid, social affairs and environmental policy. Finally, Part III sets out the dissonance between the EU's understanding of partnership and the legal concept of partnership before proceeding to reformulate the existing relationship between the EU institutions and voluntary organizations as a coalition relationship. Exchanging partnership for coalition enables the development of a more holistic policy approach towards NGO/EU cooperation. The coalition concept acknowledges the tensions inherent in state/NGO relationships; those same tensions which give rise to the need for regulation in the context of autonomy, legitimacy, representativeness and accountability. Although

there has been some discussion of these standards in the context of NGO/EU partnerships, a coalition model provides a more useful template against which to judge the success of NGO/EU interaction.

Topic's relation to the state of knowledge in the field:

There is an emerging trend among states to formalize nonprofit organization involvement in decision-making processes. The United Kingdom's Compact, Canada's Accord and Ireland's Social Partnership are examples of such processes and there is a growing body of literature that assesses the effectiveness of these different mechanisms for influencing policy activity (Plowden (2003), House (2004), Taylor (2002), Phillips (2003)). The aim of this paper is to review the current state of EU/NGO relations and to make a similar inquiry as to the effectiveness of NGO influence on policy. Much has been written on the governance process of the European Union (Schmitter (1979), Wolfe & Marks (1996), Warleigh (2003)). Consideration of NGO impact in these works tends to be marginal. Although works focusing on particular policy areas (Faulkner (1998), Wallace (2000), Bomberg (1998)) pay greater attention to the role of NGOs, concentration on a single policy sector prevents the development of a comprehensive theory of NGO involvement applicable cross-sectorally. Similarly, academic literature assessing the impact of interest groups, including NGOs, on the EU decision making process, while useful, stop short of proposing changes (van Schendelen (2002), and Richardson (2001)).

Contribution to the field your work will make:

Coming from a legal perspective, my work seeks to build on existing contributions by placing NGOs at the centre of the policy-making equation and seeking to ascertain their effectiveness across diverse EU policy sectors. My research provides a legal and political context in which to explain better the parameters for NGO involvement in European policy making. Exposing the shortcomings of the partnership model and substituting instead a coalition model not only better explains past NGO/institutional interactions, it also provides a more solid framework for future engagement, whether this continues to take an informal form or is the subject of more formalized relations.

**Paper Number:** pa051103

**Paper Title:** Inter-organizational Collaborations for Public Service Delivery: A Framework of Preconditions, Processes and Perceived Outcomes

**Author(s):**

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**Summary of Research**

In an era of “hybrid governance,” public funding agencies have begun encouraging or requiring collaboration among nonprofit social service providers to form community-based networks in the delivery of publicly funded social services. Yet relatively little scholarly attention in government-nonprofit relationship literature has been paid to how nonprofit organizations would respond to requirement of collaboration. In this paper, we examine determinants of network collaboration, governance structures and performance in Los Angeles County’s Family Preservation Program.

**Description**

Nonprofit organizations, particularly in social services, are working closely with government agencies to perform the required services in exchange for payment. They explore mutual goals and forge solutions that are clearly collaborative in nature. Government funding agencies often require the development of network collaboration of complementary nonprofit agencies. Collaborative networks are believed to bring community benefits such as coordinated services and well-planned and executed community-wide strategy to combat persistent problems. Yet relatively little scholarly attention in government-nonprofit literature has been paid to how nonprofit organizations would respond to funding requirement of increasing their extent of collaboration with other organizations, or when these efforts are likely to be successful. Are these efforts designed to increase capacity, to reduce the costs of service delivery, or merely to respond to mandates from local public agencies who award the contract? The answers to these questions are important. We must understand when and how these relatively new governance forms improve service delivery.

This paper will begin an exploration of these questions by analyzing the collaborative networks of social service providers in Los Angeles County’s Family Preservation Program. The Family Preservation Program uses a large number of human service organizations, most of which are nonprofit, clustered into around 38 networks to deliver social services. We will address the following research questions:

- What factors (e.g., organizational factors, programmatic/service needs, alliance history) determines the extent of network collaboration?
- How are alliances structured (e.g., extent of joint decision making, locus of control, oversight processes, allocation of risk)?
- What are the important organizational and managerial factors in the well functioning of alliances?

This research has important theoretical and practical implications for government-nonprofit relations and the strategic management of public and nonprofit organizations. The findings will illuminate the relationship between organizational and service characteristics and the success of social service network collaboration, thus enhancing our understanding of the performance of networked organizational forms. Such understanding can inform policy and program design related government-nonprofit relations as to the circumstances under which collaboration should be encouraged in the delivery of public services

**Paper Number:** PA051104

**Paper Title:** Civic Engagement, Social Cohesion and Social Integration in Toronto, Canada

**Author(s):**

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Mary Foster, Ryerson University, Toronto, CANADA

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**Summary of Research**

Using the 2002 Canadian Ethnic Diversity Survey we consider the role of civic engagement in processes of social cohesion and social integration. We investigate how engagement in the voluntary sector contributes to the development of bonding and bridging social cohesion, and thereby social integration. We conclude that engagement has a role to play in successful social integration, and that a community's level of civic participation contributes to integrated social outcomes. We use the results to develop a better understanding of the kind of civic engagement associated with integration, policy issues surrounding ethnic community integration and directions for further study.

**Description**

CIVIC ENGAGEMENT, SOCIAL COHESION AND SOCIAL INTEGRATION IN CANADA

The voluntary sector has long been seen as the foundation of a healthy civil society (DeTocqueville, 1961; Leonard & Onyx, 2003). Yet, substantial growth in the last two decades in demand for voluntary sector services in Canada has been accompanied by a significant reduction in government resources supporting the sector's activities (Browne, 1996). This confluence of demand growth and decreased governmental support has resulted in increased competition among voluntary organizations for both capital and human resources (Meinhard & Foster, 2000). Furthermore, the ethnic transformation of Canadian society has raised knowledge, policy and practical issues across all sectors, including the voluntary sector. These conditions have pushed many in the voluntary sector to reach beyond their traditional bases of support to consider hitherto untapped segments of society, and have pushed governments to rely more and more on the voluntary sector for the development of social integration. However, research on the Canadian voluntary sector, particularly with a cross-cultural lens, is a relatively new research domain, with many gaps in the knowledge base. As a starting point, Berger (2004) and Berger & Azaria (2004) have proposed, tested and supported a framework that traces the relationship between sub-group identity and volunteering, as mediated by attitudes, norms and social barriers. In this paper we extend this framework and consider the role of civic engagement in processes of social cohesion and social integration. We use the 2002 Ethnic Diversity Survey (EDS) to investigate how engagement in the voluntary sector contributes to the development of both bonding and bridging social cohesion, and thereby, social integration.

Our framework proposes that sub-group identity (ethnic identity for instance) influences civic attitudes, group specific subjective norms and group specific social barriers. It is through this mediated process that sub-group identity impacts civic engagement. Our framework accepts variance in rates and levels of voluntary sector participation as a function of ethnicity and further suggests that if members of some sub-groups are systematically 'outside' the mainstream voluntary sector then they may also be 'outside' the processes through which they might integrate and contribute fully to Canadian society. This may be because as a socially cohesive activity civic participation may be associated with important dimensions of social integration – such as a sense of generalized trust, high quality social networks and socio-economic status (Berger-Schmitt, 2002).



However, like Leonard and Onyx (2003) we too recognize that civic participation and its associated socially cohesive attributes may be socially bonding or socially bridging. That is, the voluntary experience may strengthen network ties, trust, reciprocity, shared norms and social agency in either a bonding (within group) or bridging (between groups) fashion. Strengthened in-group feelings of belonging, community connectedness, trust and support, without overlapping connections outside the group could lead to factionalized, segregated or marginalized communities – the opposite of social integration (Leonard & Onyx, 2003, p. 202). To understand the relationship between civic participation and social integration therefore it is important to distinguish between “bridging” cohesion, which spans social cleavages, and “ghettoising” cohesion, which reinforces marginalization, segregation and social dis-integration (Ellis and Howlett, 2004).

Using data from the 2002 Canadian Ethnic Diversity Survey (a Statistics Canada survey of over 40,000 respondents) we examine whether or not engagement in Canada’s voluntary sector, ethnicity, and length of time in Canada, are associated with social integration or social dis-integration. We hypothesize and test whether citizens and communities with a high propensity to participate in the voluntary sector are more socially integrated than the opposite. Our results indicate that engagement, in general, enhances social success for Canadians, and particularly first generation Canadians, Chinese and South Asian Canadians. This is so for both indicators of socio-economic integration and socio-cultural integration. Furthermore, we find that it is the “bridging” aspects of engagement that positively affect social success, at the same time that other aspects of voluntary behaviour negatively affect social success. In particular features of civic engagement that represent or promote in-group bonding (that is creating ties within a homogenous group), appear to work against social success.

We conclude from our analysis that engagement in the voluntary sector is associated with social cohesion, but whether or not this cohesion results in positive or negative social outcomes depends on whether the cohesion is of a bonding or bridging variety. We interpret these results in the context of Berry’s (1997) popular model of immigrant acculturation. Berry categorizes immigrant acculturation into a four-group typology based on the value of ethnic identity (bonding) and the value of out-group participation (bridging). He labels his four resulting quadrants as integration, assimilation, segregation and marginalization. According to this model minority group integration, the most positive and inclusive strategy, depends on the desire to maintain aspects of one’s own culture (bonding), while also interacting, connecting and having significant contact with the dominant culture (bridging). The framework implies a positive, additive influence of both bridging and bonding on social outcomes. While our results found support for the positive social impact of bridging (at least for some groups), the impact of bonding was consistently negative, challenging the implied valence of the typology and indeed challenging Canada’s multicultural ‘ideal’.

We conclude in this paper that voluntary sector engagement clearly has a role to play in successful social integration, and that a community’s level of civic participation can contribute in important ways to integrated social outcomes, such as economic prosperity, peace, security, stability and social justice. We use the results to develop a better understanding of the kind of civic engagement associated with positive integration, to consider some public policy issues surrounding ethnic community integration and to highlight directions for further study.

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**Paper Number:** PA051105

**Paper Title:** Cultural Development in the Pacific Northwest

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### **Summary of Research**

While it is often suggested in existing scholarship on the creative economy that the arts and culture sector is vital to sustainable urban development, a significant gap exists in describing and explaining the processes through which public participation in the arts, a thriving arts and culture sector, and community cultural development contribute to a strong creative economy. This paper will assess the interconnections among flagship non-profit arts organizations, the creative sector, and sustainable community well-being in Portland, Seattle, and Vancouver BC; it will present a public policy and educational situation analysis and needs assessment for regional cultural development.

### **Description**

Abundant evidence exists as to the personal, social and economic importance of public participation in arts and culture. However, a crucial need remains to develop systematic educational approaches in cultural administration for current and future leaders in the field so that they will have the capacity to proactively implement strategies to develop the public value of arts and culture. To begin to address this need, the initial aim of this study is to conduct a public policy and educational situation analysis and needs assessment for cultural development in the Pacific Northwest region. This paper will present preliminary findings from this research initiative.

There is rapid growth of scholarship and public interest in the creative economy, generally understood as the economic role and impact of knowledge-based and creativity-based sectors, such as the broadly-defined cultural industries. Concurrently, the North American arts and culture sector is exhibiting ever-increasing interest in economic impact studies, creative vitality indices, and cultural development studies on national, regional, state or provincial, and local levels. Scholars are demonstrating that strengthening community cultural development (i.e., participatory arts and culture activities connected with civic engagement) will lead to enhanced creative and social capital, which are both crucial to economic well-being (please see the appendix for examples of references used in the literature review conducted for this study).

While it is often suggested in existing scholarship on the creative economy that the arts and culture sector are vital to sustainable economic and community well-being, a significant gap exists in describing and explaining the processes through which public participation in the arts, a thriving arts and culture sector, and community cultural development contribute to a strong creative economy. Currently, best practices demonstrated by arts organizations in the field focus primarily on guiding the design and implementation of new programs for developing audiences, building communities, and encouraging experiential participation in the arts. Although certainly valuable, lessons learned through best practices sharing are not necessarily based on solid theoretical constructs and are often transferred and implemented in a reactionary mode of crisis management. Such processes are inherently inadequate in their potential to provide proactive responses to changing environmental contexts.

Sharing the skills and tools of community cultural development in a systematic way with pre-professional and professional arts and cultural administrators is vital to encouraging public participation in arts and culture. At present, this is not occurring in a coordinated and systematic way. As a consequence, a need exists for developing educational approaches for current and future leaders in cultural administration so that they will have the proactive capacity to build public participation in the arts, rather than their having to rely solely on inadequate and ad hoc best practices sharing among professionals. Designing educational approaches for systematic preparation of arts administration leaders requires in-depth understanding of processes involved in arts policy, economics of the cultural

sector, cultural development, innovative methods of audience development, arts education, community planning and development, as well as the means and tools for evaluating policies and programs in such areas.

The purpose of the current phase of qualitative research is to assess the cultural dimensions of economic development in the Pacific Northwest, concentrating on the interconnections among the arts, the creative sector, and sustainable economic well-being. The study will include a collective case study of three major cities in the region – Portland, Seattle, and Vancouver BC – and will result in an educational and public policy needs assessment for strengthening public participation in the arts and culture sector.

This paper will discuss the conceptual framework and preliminary findings from this first phase of research. In each case study, research will focus on the cultural dimension of economic development to: (1) assess the scope, nature and extent of public participation in the arts; (2) evaluate the characteristics of a thriving arts and culture sector; and (3) identify and assess the tools of community cultural development. This investigation into the arts and culture sector will focus on processes, factors, relationships, indicators, conditions and causes of the cultural dimension of economic development in each of the three major urban areas. The study will concentrate on the roles and functions of the non-profit flagship arts institutions within the more broadly defined creative sector in each urban area. Ultimately, it will be possible to infer from the data collected and analyzed for the case studies what capacities and skills might be needed to increase public participation in the arts and to foster community cultural development in the Pacific Northwest. Concentrating on leadership capacities and skills in cultural policy, urban planning, and arts administration, the study will culminate in a needs assessment for policy interventions and educational models. □

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**Paper Number:** PA051107

**Paper Title:** The Influence of Information in Intersectoral Networks: National Nonprofits Organizations and State Policy Implementation

**Author(s):**

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### **Summary of Research**

Earlier research on information diffusion in intergovernmental systems focused on the role of federal-state and state-state exchanges of information to explain policy adoption. This article tests the predictive ability of nonprofit-state information exchanges to explain successful policy implementation in one area of criminal justice policy. The research model uses original survey data collected in a 50-state comparative study. One and two-stage regression models test the influence of information on the likelihood of state implementation, and on successful policy outcomes.

### **Description**

The Influence of Information in Intersectoral Networks: National Nonprofits and State Policy Implementation

State policy adoption theory predicts that policy adoption decisions are influenced by information gained through interactions with other states, organizations of state officials, professional associations, and other nongovernmental groups (Walker 1969, Savage 1985, Mintrom and Vergari 1998, Balla 2001). It is well understood that nonprofit organizations are elemental to these information networks which influence implementation actions as well as adoption decisions (O'Toole 1996, 1997; Agranoff 1996; 1998; Provan and Milward 1995, 2001; Agranoff and McGuire 2003). Within these networks, nonprofit organizations are particularly attractive to state policy administrators as sources of best practices and research information which may influence adoption decisions (Mossberger 2000, Mossberger and Hale 2002). What is not well understood is the way in which information disseminated by national nonprofit organizations may enhance state capacity for successful policy implementation, and whether specific types of synthesized information disseminated by nonprofit organizations are more salient to state administrators engaged in policy implementation.

This research utilizes an integrated theoretical approach drawing upon the literatures of policy adoption, implementation, complex policy networks and information diffusion to test the relationship between national nonprofit networks and policy implementation. Ultimately, the question is whether states that are more "informed" by a national nonprofit network are also more successful in accomplishing higher levels of policy implementation, or in achieving overall policy success.

Data is drawn from the diffusion of drug court programs across the 50 states from 1989 through 2004. Drug court programs are cross-sectoral collaborative criminal justice innovations which spread rapidly across the states in response to prison overcrowding and high rates of criminal recidivism. Data is analyzed using one- and two-stage cross-sectional regression models to measure the influence of the information network on successful state implementation and on policy outcomes.

Information diffused to state policy administrators is measured at the state level through results of a 50-state survey of state drug court policy administrators, and from state implementation efforts to support more than 1100 local drug court programs. Survey data include the number of national nonprofit organizations used as information sources, variation in the types of information collected by state administrators from national nonprofit organizations and in frequency of collection. State implementation efforts include state standards, rules, administrative orders, dedicated funding, staff, advisory councils and support services such as training and management information systems. Control variables are drawn from the framework of state-level variables which impact policy adoption including demand, resources, and politics (Mooney and Lee 1995).

Findings from this research extend understanding of the complex relationships between government and the nonprofit sector and the ways in which nonprofits are effective in influencing policy implementation apart from direct lobbying activities. The results of this research are salient to both the government and nonprofit sectors in the current context of devolution. States continue to face increasing constraints on their capacity and ability to deliver policy solutions (Tannenwald 1998, Conlan 1998). Nonprofit organizations co-exist alongside government in multiple and overlapping roles (Kettl 1988, Salamon 1995, Young 1999), and face significant challenges to the capacity needed to facilitate their missions (Agranoff and McGuire 1998, Austin 2000, Frederickson and London 2000, Kettl 2002, Salamon 2002). The results of this research have implications for public and nonprofit management within the context of complex management networks (Agranoff and McGuire 2003).

**Paper Number:** PA051108

**Paper Title:** A Case of Public Value Failure? Philanthropic Response to K-12 Budgetary Woes in the San Francisco Bay Area

**Author(s):**

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### **Summary of Research**

This paper applies Bozeman's (2002) concept of "public value failure" to nonprofit funding of K-12 education. Anecdotal evidence suggests that schools have increasingly looked to private funds to supplement dwindling state funding of k-12 education. In this paper we use data from the NCCS core files of 501c(3) organizations to describe this growth across type of organization—PTA, foundation and school based club-- and across socio-economic characteristics of local communities. We conclude by discussing the implications for our understanding of the role of philanthropy in responding to public value failure.

### **Description**

This paper applies Bozeman's (2002) concept of "public value failure" to the study of nonprofit funding of K-12 education in the San Francisco Bay Area. Since Proposition 13 was passed in 1978, California's per pupil expenditures for K-12 education have steadily dropped far below the national average ("How California Ranks...", 2002) and recent efforts by local school districts to pass additional funding measures have largely failed. As a result anecdotal evidence suggests that Bay Area parents and school leaders have increasingly looked to private funds provided by nonprofit organizations to supplement state resources. Such organizations include not only traditional Parent-Teacher Associations (PTAs), but also foundations and booster clubs created to support particular programs and interests within particular school districts and even schools.

While few would deny the opportunity for philanthropic participation in public schools, its suggested growth and magnitude are problematic to education policy and management as philanthropic funding increasingly moves away from being a complement to state funding to a supplement or even a replacement. An over-reliance on private philanthropy for the delivery of K-12 services could create an income gap where those schools with affluent parents would offer greater services than those with less affluent parents. Such income gaps support a plutocracy (Etzioni, 2004) by widening the achievement gap between the rich and poor ("Widening Achievement Gap...", 2004). While the trend would be justified under the view of K-12 education as a private good, it would deny those aspects of it as a public good (Labaree, 1997). Education not only prepares individuals to compete against each other in the market place, it also prepares generations to be productive as workers and citizens. A regressive distribution of philanthropic funds would counter the public good aspects of education and exemplify what Bozeman (2002) calls a "public value failure." In this case, public budgetary confinements that have not satisfied parents' values for K-12 education could lead to an increase in philanthropic activities. However, if such increases are not equal, then the public's values for education as a public good would be undermined and "benefit hoarding" would occur (Bozeman, 2002). The magnitudes and scope of these private efforts to support the failure of "public values" have gone mostly unexamined outside of anecdotal evidence in news media (e.g., Nevius, 2004).

□To explore the impact of nonprofit response to "public value failure" in public schools, we use data from the National Center for Charitable Statistics core files of 501c(3) organizations filing tax returns in 1995, 2000 and 2003 to explore the growth of educational support organizations across communities in the San Francisco Bay Area. We begin by using descriptive statistics to explore differences in average revenue and reliance upon particular revenue sources across type of organizations (PTA, booster club and foundation) and across time. We then use the panel data for the sample of organizations that report data in all three years to compare changes in organization revenue across time. Finally we explore the relationships between these organization revenue characteristics and the neighborhood socio-economic demographics across time and type of organization. We conclude our analysis by discussing the implications of our findings for both public policy makers and nonprofit leaders.





**Paper Number:** PA051109

**Paper Title:** Indicators of Fraud in Charitable Organizations: An Empirical Analysis

**Author(s):**

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**Summary of Research**

Significant media attention has focused recently on fraud in business and nonprofit sectors. Although a 2004 survey conducted by the Association of Certified Fraud Examiners estimates that organizations lose approximately 6% of revenues to fraud, little empirical research on the extent of fraud in nonprofits has been performed. Previous research has been based on newspaper reports, which does not get at the real extent of fraud.

This project will use publicly available financial information, methodologies widely used in the business sector, and matched pair analysis to determine the extent of possible fraud in the nonprofit sector.

**Description**

1.  Problem or issue to be addressed

According to the several dictionaries, to be accountable is “to be answerable for.” Thus, an organization is accountable when it is answerable to some other party for accomplishing some definite goal(s). Recent events, such as the bankruptcy of Enron and the financial statement fraud at WorldCom, have emphasized the importance of financial accountability in the business sector. One public response was the enactment of the Sarbanes-Oxley Act (SOX), which drastically altered the responsibilities and obligations of management, board members and auditors of publicly traded corporations. However, lapses in financial accountability have not been limited to the business sector. In the nonprofit sector, well publicized events have affected organizations as varied as the American Red Cross, the Baptist Foundation (Arizona), Hale House (New York), and the King Foundation (Texas). Although only two provisions of SOX presently apply to nonprofits, attorneys general in more several states have called for all provisions of the Sarbanes-Oxley Act to be extended to the sector (Nonprofit World 2004). Further, both the Independent Sector (2005) and the American Institute of Certified Public Accountants (2005) have recommended reforms that, if enacted, could, in effect, amount to a SOX for charities.

Although nonprofits publicly proclaim that little fraud exists, we have no empirical evidence to determine the truth of these assertions. Auditors and fraud examiners have developed several indicators that are widely employed as “red flags” to the existence of fraud. This project will apply these indicators to publicly available nonprofit financial data to explore the prevalence of possible fraud and will, for the first time, empirically examine the data for the existence of fraud in the nonprofit sector.

2.  Topic relation to the state of knowledge in the field

Although several recent studies have examined the existence of fraud in the business sector (for example, Carcello and Nagy 2004, Sharma 2004, Wilks and Zimbelman 2004, Sharma 2004, Association of Certified Fraud Examiners 2004, Albrecht 2003, Pricewaterhouse Coopers 2003), such research has been minimal in the nonprofit sector. Previous empirical research into the existence of fraud in this sector has focused on newspaper reports. Gibelman and Gelman’s (2001 and 2002) studies focused on governance issues rather than dollars lost to fraud. Their first paper concentrated on a limited number of international and U.S. nonprofit organizations involved in the financing or delivery of health care or human services. Their second paper dealt with wrongdoing in faith-based organizations and included both financial and non-financial crimes. Smith-Fremont and Kosaras’ (SFK) (2003) survey of fraud was more extensive. They examined all newspaper articles published from 1998

– 2002 that described fraud perpetrated by officers or directors of all charitable organizations. They found 131 cases, with a median loss in excess of \$130,000. However, a survey of articles published in newspapers does not uncover the true extent of fraud in the sector. Most fraud goes unreported. A 2004 survey conducted by the Association of Certified Fraud Examiners (ACFE) estimates that organizations lose approximately 6% of total revenues to fraud every year. Applied to the nonprofit sector, this means that approximately \$50 billion may be lost to fraud annually, a significant amount .

### 3. □ Approach we will take

The purpose of this project is to explore the indicators of fraud in the nonprofit sector. We will do this in two ways. We will first explore ratios that have been widely used as “red flags” in the for-profit sector. We will then match nonprofits that have had a fraud disclosed with similar nonprofits that have not to see if certain of these “red flags” may be unique in this sector and may, in fact, be predictors of fraud. We will use Internal Revenue Service informational Form 990 tax data that is digitized and disseminated to academic researchers by the Urban Institute’s National Center on Charitable Statistics (NCCS). We will use all available years (currently 1998 – 2002). Approximately 250,000 tax-exempt organizations are included in this database. We will first use the entire data set to compute annual ratios and both year-to-year and overall changes. The results will be analyzed by size of organization, subsector, age, and geographical location and source(s) of revenue. We will then extend SFK’s (2003) study by using a matched-pairs methodology to determine if any financial differences exist between those who have experienced fraud and those who have not.

### 4. □ Contributions to the field

An understanding of the existence of fraud in the nonprofit sector is important for several reasons. First, every dollar lost to fraud represents a lost ability to provide needed public services. Second, the sector is facing increasing public scrutiny primarily as a result of the recent availability of detailed financial information provided by the Urban Institute’s National Center for Charitable Statistics. Finally, a “Gresham’s Law” for nonprofits may exist, where publicized fraud cases results in an unwillingness of donors to give to any nonprofit; this hurts the entire nonprofit sector (Greenlee 2002).

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**Paper Number:** PA051110

**Paper Title:** What is Nonprofit Strategy?

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### **Summary of Research**

Most of what has been written about “strategy” is offered from a “for-profit” perspective. Applying strategy concepts from this for-profit perspective into the nonprofit world is challenging, as key differences exist among the sectors—for example, their different conceptions of organization effectiveness.

This paper reviews the general strategy literature – strategy development, strategy implementation, and strategic planning – and presents a model of nonprofit strategy which considers the differences between nonprofits and for-profits, and yet utilizes concepts from the for-profit literature which transfer appropriately. This model will provide nonprofits with new strategy perspectives that will help guide their operations more effectively.

### **Description**

Michael Porter sought to answer a similar question in his 1996 Harvard Business Review article, “What is Strategy?” But his was a discussion of “for profit” business strategy. And, while helpful applications of business concepts can be made for nonprofits, the functional and contextual differences between the for-profit and nonprofit sectors need to be addressed when doing so. A clear conception of non-profit strategy is, therefore, needed.

One significant difference between for-profit and nonprofit entities is how they each determine their effectiveness. While a wide variety of perspectives exist on nonprofit effectiveness, and it has been well argued that effectiveness is “socially constructed” (Herman & Renz, 1997), nonprofit effectiveness is often thought of in terms of mission (Sheehan, 1996) while for-profit effectiveness often focuses on “profit” and/or shareholder value (Smith, 1998 & 2004). For-profit strategy, therefore, is most frequently thought of as creating a competitive position so as to “outperform rivals” (Porter, 1996, p. 62). While elements of competition certainly exist in the nonprofit world (La Piana & Hayes), nonprofits are most interested in strategizing to more successfully accomplish their missions. They want to close the “mission gap” between how well they are currently accomplishing their mission and how well they want to do so – in an ideal world.

At the same time, helpful ideas on strategy for nonprofits certainly exist in the for-profit literature. For example, too many nonprofits think of strategy as an “analytical process” or think only of the “planning” part of strategic planning, while giving less attention to the creative process of developing strategy. This same thing happens in for-profit strategy. Mintzberg (1994a), for example, creates the distinction between the analytical process of strategic planning (which is more about implementing strategy) and the more creative process of strategy development, which he calls “strategic thinking.” He says “Strategic thinking, in contrast, is about synthesis. It involves intuition and creativity. The outcome of strategic thinking is an integrated perspective of the enterprise, and a not-too-precisely articulated vision of direction . . . (p. 108)”

Similarly, Porter’s admonitions for for-profits that “operational effectiveness is not strategy” (1996, p. 61) rings true for nonprofits as well. Many nonprofit leaders work hard to apply leading management techniques to their operations, and this is a good thing to do. But it is not strategy. And it is not enough for maximum effectiveness. As Porter says “Constant improvement in operational effectiveness is necessary to achieve superior profitability. However, it is not usually sufficient. (p. 63)” Nonprofits need to look beyond improvements in efficiencies and operations to maximize success – they need to develop creative strategies to guide their efforts as well.

These are just a few of the important differences and similarities between for-profit and nonprofit strategy. This paper will review the general strategy literature – strategy development, strategy implementation, and strategic planning – and present a model of nonprofit strategy which considers the differences between nonprofits and for-profits, and yet utilizes concepts from the for-profit literature which transfer appropriately. This model will provide nonprofits with new strategy perspectives that will help guide their operations more effectively.

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