Introduction to the Nonprofit Sector

INTRODUCTION TO THE NONPROFIT SECTOR

DYANA P. MASON

CONTENTS

ACKNOWLEDGEMENTS

PREFACE

The study of nonprofit organizations and the nonprofit sector is often a paradox. There is opportunity and hope, with organizations serving millions of people every year. There are also challenges, with organizations failing to live up to public expectations or failing to deliver what they've promised.

Let's look at some recent examples:

- The Covid-19 pandemic, and the 2022 inflation that followed, saw nonprofits filling ever greater needs in

communities, from housing to food insecurity. As stated by Josh Hopkin, the Executive Director of [Family Promise of Albany County](#), Wyoming, a nonprofit organization working to end homelessness, "(Inflation has) made it so people's rent goes up by $300, and now they can't afford the place they're in.... They're going to get evicted, and now they're in a really rough spot where they might not be in that rough position a year ago." Yet, the *Wyoming Tribune Eagle* [published a story](#) about how the nonprofits in that community were answering the call for increased demand for their services, despite flat or decreased fundraising.

- Additionally, the war in Ukraine has led to many international nonprofits stepping up to provide emergency aid to refugees. [World Central Kitchen](#) and its founder, celebrity chef José Andrés, is on the ground to help.

One or more interactive elements has been excluded from this version of the text. You can view them online here:
https://opentext.uoregon.edu/intrononprofit/?p=4#oembed-1

- On the other hand, in 2021, *The New York Times* published [an investigation](#) into the CORE Services Group, a New York-based nonprofit organization that was designed to help set up shelters for unhoused individuals and paid for largely by tax payer dollars. In the investigation, the group and its founder were accused of funneling tens of millions of dollars into private companies owned by the founder. Shortly after the investigation was published, the city of New York cancelled its contracts with the organization.

As these examples demonstrate, nonprofit organizations are on the front lines in communities, providing an important foundation for the social safety net in the United States and around the world. They often accomplish amazing feats with few resources. Yet, through bad management and governance, the reputation of nonprofit organizations, and sometimes the sector as a whole, struggles to overcome a credibility gap. Because of this, it's important for nonprofit managers – and the public at large – to understand the crucial roles these organizations play in society. This includes paying close attention to the expectations that communities have for nonprofit organizations to be professionally managed, transparent and accountable.

This book was designed to be used in an undergraduate-level introductory course on the nonprofit sector. It provides an overview of the vocabulary used in defining the work of

nonprofit organizations and topics of interest to nonprofit managers, as well as describing the primary roles nonprofits play in American (and to a lesser extent international) communities. The book also considers the growing numbers and influence of social enterprises and other "social innovation" organizations. Throughout, it brings in leading themes of accountability, ethics and obligations facing many nonprofit organizations as they go about their work – challenges that should be well understood by anyone interested in becoming a leader in the nonprofit sector.

1.

INTRODUCTION

Learning Objectives

After reading this chapter, you should be able to:

- Define the difference between a nonprofit organization and other types of organizations.
- Understand the different terminology associated with the nonprofit sector.
- Start to understand the scope of the nonprofit sector in the United States.

Image: "Nonprofit" by Sharon Sinclair (EKG Technician Salary) is licensed under CC BY 2.0.

1.1 What are nonprofit organizations?

Whether you know it or not, nonprofit organizations are ubiquitous in American society. They are part of almost everyone's lives every day. Nonprofit organizations can be small, such as local social or activity groups like soccer clubs or homeowner's associations covering a single neighborhood. They can also be larger, such as state advocacy organizations working in the capitol to change policy or international humanitarian organizations with thousands of members and budgets in the billions. They provide human services and offer

opportunities to enjoy art and culture. They raise money for community needs and also distribute billions of dollars to other nonprofit organizations.

But the question remains – what are they? How are they defined? And how might they be different from other organizations, including for-profit businesses or public sector agencies?

The nonprofit sector includes private, voluntary, "not-for-profit" organizations, along with other voluntary associations.[1] They can be either formally registered with the IRS as a tax-exempt corporation or informal gatherings of individuals. In fact, in 2019 there were approximately [1.5 million formally registered nonprofit organizations](#) in the United States, with an estimated additional 1 million unregistered groups.

One thing that almost all nonprofits share, however, is that they are **tax-exempt,** meaning they are not required to pay many forms of tax, particularly taxes on contributions and

---

1. Helmut K. Anheier, *Nonprofit Organizations: Theory, Management, Policy*, 2nd ed. (New York: Routledge, 2014), http://books.google.com/books?hl=en&lr=&id=FCpc6YdSAT0C&oi=fnd&pg=PP1&dq="edition published in the Taylor and Francis e-Library," "purchase your own copy of this or any of Taylor & Francis or" "2005 Helmut K." "known or hereafter invented, including photocopying and" &ots=XwI7vdB88A&sig=SK_snvwMXOI0aEPXu2Kj0Q3O73U.

grants.[2] In addition, they have what is called a **non-distribution constraint**; they are not allowed to distribute profits to the managers or "owners" of the organization.[3] This is an important distinction from for-profit businesses, especially because nonprofits don't have "owners" in the traditional sense we may think of. While the managers and volunteer board of directors in a nonprofit organization are responsible for protecting the organization's reputation and resources, they don't "own" the organization. Instead, nonprofit organizations are incorporated by states and the federal government and are, in effect, owned by the taxpayers.

In exchange for a tax-exemption benefit, nonprofit organizations are expected to work towards the public good in some way. That term can be broadly applied and may include providing much needed services to offering opportunities for people with shared goals and values to come together. In this way, nonprofit organizations are **mission driven**, not **profit-driven**.

Nonprofit organizations typically have the following features:

---

2. Kelly LeRoux and Mary K Feeney, *Nonprofit Organizations an Civil Society in the United States* (New York: Routeledge, 2015).

3. Henry B. Hansmann, "Economic Theories of Nonprofit Organizations," in *The Non-Profit Sector: A Research Handbook*, ed. Walter W. Powell (New Haven, CT: Yale University Press, 1987).

- Not profit-seeking.
- Non-distribution constraint.
- Organized outside of government and business.
- Self-governing and independent.
- Formally constituted (legal filings, bylaws, etc.).
- Voluntary.

As mentioned earlier, many groups of individuals may look and act like a nonprofit organization but are not formally constituted as tax-exempt corporations under the law. Also, although it is true that you generally can't be compelled to join or participate in a nonprofit organization, there are some situations in which you may be called on to join a nonprofit in order to participate in a certain profession (such as a labor union or the American Bar Association for attorneys) or to live in a specific neighborhood (homeowner's associations).

1.2 What types of organizations are there?

There are many different types of nonprofit organizations in the United States and around the world. The National Taxonomy of Exempt Entities (NTEE) is one way that the IRS and other researchers classify nonprofit organizations. When an organization files the application to become a tax-exempt corporation, the IRS uses the organization's stated mission

statement to identify their NTEE classification. Major NTEE categories include:

- Arts, Culture, and Humanities.
- Education.
- Environment and Animals.
- Health.
- Human Services.
- International, Foreign Affairs.
- Public, Societal Benefit.
- Religion Related.
- Mutual/Membership Benefit.
- Unknown, Unclassified.

Under this primary classification, there are a series of sub-classifications to help identify a nonprofit further, such as codes for advocacy organizations, higher education, professional societies and associations and those that provide monetary support to others, just to name a few. The IRS also separates organizations under different sections of code.

There are many different names used to describe the nonprofit sector. While these names are often used interchangeably in

scholarship and practice, there are subtle differences in their meanings.[4]

- **Charitable organizations** are groups whose work is primarily seen as "helping the needy." While some nonprofit organizations "help the needy," there are also many organizations that engage in other types of activities, including social and religious organizations and political and advocacy organizations.
- **Independent Sector** emphasizes that the role of the nonprofit sector is outside of both government and the business sector, as it is autonomous from the other two sectors in making decisions and engaging in activities. Yet, there are many nonprofits that engage in commercial activities or are closely partnered with government through contracts and grants.
- **Nongovernmental organizations (NGO)** is the term used primarily outside of the United States for the nonprofit sector. There are local NGOS as well as international NGOs that work across borders (INGOs).
- **Voluntary organizations** are those that depend on gifts of money or time to run their programs and activities. Many smaller and community organizations can be considered voluntary organizations; however, this tends

---

4. LeRoux and Feeney, *Nonprofit Organizations an Civil Society in the United States*; Anheier, *Nonprofit Organizations*.

to omit larger organizations with paid staff and those
that are funded largely through government.

- **Social Sector** describes the group of organizations that
work on behalf of social aims and goals, but this term
does not require an organization to be nonprofit.

Peter Frumkin[5] describes two different types of nonprofit
organizations: **instrumental** and **expressive**. **Instrumental
organizations** work as an "instrument" to engage in an
activity or to get something done, such as providing medical
services, running a food bank or providing childcare. In this
way, they have tangible outputs that can be measured.
Expressive organizations, on the other hand, help bring
people with shared values and beliefs together. These could
be religious organizations or social or political groups. Instead
of seeing a dichotomy of instrumental OR expressive, it's
probably better to view these categories as two ends of a long-
spectrum.

---

5. Peter Frumkin, *On Being Nonprofit: A Conceptual And Policy Primer* (Cambridge,
MA: Harvard University Press, 2005).

The [American Red Cross (ARC)](#) was founded in 1881 by Civil War nurse Clara Barton to "prevent and alleviate human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors." Since its founding, ARC has responded to an untold number of disasters, including responding to house fires; setting up shelters and providing food to areas hit by hurricanes, earthquakes or fire; training people in first aid and CPR and helping to collect and manage blood for those who need it. Although they have about 35,000 paid staff members across the country and around the world, the activities of the Red Cross are supported by over 300,000 volunteers. Volunteers can turn their "[compassion into](#)

action" by supporting people in their own communities and often volunteer for the Red Cross for decades, finding great meaning and satisfaction in their service.

- Do you think the American Red Cross is an instrumental or expressive organization? Or both? Why or why not?
- Think of other nonprofit organizations in your community. Would you consider them expressive or instrumental?

One way to think about nonprofit organizations is that they have features that are similar to, and distinct from, the for-profit business sector and government sector.[6] The below table demonstrates where nonprofit organizations are more similar to businesses and where they are more similar to government.

---

6. Frumkin.

	More Like Business	More Like Government
Privately Controlled	X	
Non-distribution Constraint		X
Incorporated	X	
Tax-Exempt		X
Lines of Accountability		X
Can't Compel you to Pay (i.e. taxes)	X	
Money Raised Elsewhere for Services/Activities		X
Ethical Obligations to Public		X

Activity

You want to start a nonprofit – called Millennium Readers – to help improve literacy in your community. The first thing you have to do is decide what role the organization will take and what activities it will pursue. As you can imagine, there are multiple ways that the organization can proceed with "improving literacy." Here are a few options. Can you think of more?

Direct Service Role:
Direct services are when organizations work directly with the public, providing the services they need, such as housing or food, medical care or education. In the case of Millennium Readers,

what might be the different types of direct services the organization could offer?

- Provide an after-school tutoring program in reading?
- Collect donated books for the city's library?

Education Role:
Organizations engaged in an **education role** may help to share and spread information about a particular issue or cause to the public.

- Educate the public via the media about the challenge of literacy in your community?
- Research policy options to understand effective interventions and programs?
- Develop a program to train teachers on identifying potential learning disabilities?

Advocacy Role:
Advocacy is "speaking on behalf of a cause" and nonprofits may advocate for specific populations (such as children) or issues (such as the environment), among other causes (see Chapter 7 on advocacy).

- Lobby the local school board for more early education funds?
- Create a petition in support of your cause?
- Sue (litigation) the state's Board of Education for not providing adequate reading supports to children with learning disabilities?

Image: "Children reading in the street at the reading outreach activity from the Trujillo Municipal Library" by BeyondAccessInitiative is licensed under CC BY-SA 2.0

1.3 Further defining nonprofits

While there is a wide range of types of issues nonprofit organizations work on (such as education, environment or health care as discussed above), there are just as many different roles nonprofit organizations can take based on their mission and goals.

Helmut Anheier[7] describes one way to think about these roles: categorizing organizations based on who they serve. The first group, **member-serving organizations**, are those organizations whose mission and purpose is to provide some sort of benefit or representation for their members. Many associations fall into this category, including professional associations and homeowner's associations. Social, sports and religious organizations may also fall under this category.

Public-serving organizations, on the other hand, are those groups who have a public goods or public benefit focus, focusing on clients, beneficiaries or public at large. Health, education and environmental organizations may fall into this group. So too can organizations serving the unhoused or helping people overcome food insecurity.

It is also possible to describe organizations as **market** or **non-market** organizations. **Market-based organizations** are those that generate revenue by providing goods or services through commercial activities – sometimes called **fee for service**. Examples of these organizations are institutions of higher education – which charge tuition – and hospitals. There are a lot of other human-service related organizations that charge, at least marginally, for their services. Market

---

7. Anheier, *Nonprofit Organizations*.

organizations may also include **social enterprises** (covered in [Chapter 8](#)), which use the market to create social value.

Non-market organizations, on the other hand, are those that generally receive revenue either from private sources (individual donations, grants from private foundations) or from public sources (government contracts, government grants).

1.4 Summary and Activities

- Nonprofit organizations play a significant role in the American economy and social fabric.
- They are extremely diverse in both form and function – ranging across mission/issue areas and types of activities they do.

Activity

1. In small groups, look up the following two organizations working to support affordable housing opportunities in Eugene, OR. Can you tell if they are for-profit, nonprofit or public?

    ◦ Community Lending Works
    ◦ Homes for Good

2. Look up the U.S. Chamber of Commerce, National Public Radio and The Smithsonian Institution online and review their missions. Would you consider them member-serving or public-serving organizations? Why or why not?

3. Review the websites for Doctors Without Borders and World Vision. Do you consider them instrumental or expressive organizations? Why or why not?

2.

THEORIES

Learning Objectives

After reading this chapter, you should be able to:

- Understand why the nonprofit sector is seen to exist.
- Define and understand the main theories applicable to the nonprofit sector.
- Consider why nonprofit organizations and their roles vary around the world.

Image: "*[USAID/Georgia's Disability Advocacy Project](#)*" by *[USAID_IMAGES](#)* is licensed under *[CC BY-NC 2.0](#)*.

2.1 Chapter Introduction

As discussed in the previous chapter, the nonprofit sector in the United States is incredibly large, with over 1.5 million registered organizations and another estimated 1 million informal groups. How did this come to be? *Why* does the nonprofit sector look the way that it does? And, perhaps more significantly, why does the nonprofit sector exist in the first place?

Over the last fifty years, nonprofit scholars have been developing theories that describe, define and shape the nonprofit sector, as well as explain its roles, responsibilities and

behaviors. This chapter will present the main theories of the nonprofit sector and relate them to actual organizations.

2.2 The "Four Failures"

Compared to for-profit businesses or government agencies, nonprofit organizations have their own strengths and weaknesses. Nonprofits are distinct organizational forms that are seen to exist for many reasons, with the leading theories sometimes described as the "Four Failures":

- Market Failure.
- Government Failure.
- Contract Failure.
- Voluntary Failure.

Market Failure

Market Failure is a broad term often used in economics, political science, public administration and nonprofit studies. It defines a situation in which the market (business sector) fails to produce demanded goods and services. This failure leads to an inefficient distribution of goods and services by the

"free market." Richard Steinberg [1] argues that businesses may: fail to produce goods or provide services demanded by the public; over-restrict access to certain goods (such as by pricing too high); or fail to meet consumer expectations around the quantity or quality of the good/service.

In the case of the nonprofit sector, market failure is particularly relevant when goods or services for critical needs – such as health care, education, food or job training – aren't available to those that can't afford "market prices."

While it may seem that market failure happens simply because businesses can't "make a profit," there are other reasons the market may fail. [Different types](#) [2] of market failure include:

- **Information asymmetries,** which occur when the parties to any transaction have different levels of information about the quality of the product/service. This can lead to exploitation, such as when someone selling a car knows there is a significant issue with the engine and fails to provide this information while encouraging you to buy it. Government often intervenes

1. Richard Steinberg, "Economic Theories of Nonprofit Organizations," in *The Non-Profit Sector: A Research Handbook*, ed. Walter W. Powell and Richard Steinberg, Second Edition (New Haven, CT: Yale University Press, 2006), 117–39.
2. Lueken, "Defining Market Failure (with Examples)," EdChoice, May 24, 2018, https://www.edchoice.org/engage/defining-market-failure-with-examples/.

to prevent information asymmetries through regulations that protect consumers, such as requiring certain disclosures by the seller or by establishing "<u>lemon laws</u>."

- **Externalities**, also called "spillover effects," which occur when benefits (positive) or costs (negative) impact someone who is not directly involved in a transaction. For example, a firm exposes the community to pollution while making its product. Government may also intervene in these cases through regulation (such as regulating or fining polluters), but nonprofit organizations may also get involved by holding organizations accountable to the law, either through political pressure or through litigation.

Activity

An Oregon based nonprofit, <u>Beyond Toxics</u> works to limit the impact of pesticides and other toxins in communities across the state. They

recognize the role of pollution on communities, and their climate justice initiative recognizes that "Frontline communities historically and presently bear the brunt of health, economic and ecological impacts that are the consequences of climate change." They engage in advocacy and education efforts to reduce pollution and protect communities from harm.

Review the Beyond Toxics website.

- What type of externalities do they try to prevent or reduce?
- How does the organization link the externalities of pollution to the ideas of climate justice?
- What IS climate justice?

- **Free-Rider problem,** where individuals will not participate in the provision of (pay for) a good or service unless they are compelled to do so. This is especially the case when they can receive the good without having to pay for it (for example, driving down a road, enjoying a park or listening to public radio).[3] Government intervenes in this case by compelling people to pay for

the good or service through taxation. These types of goods are called **non-excludable public goods** and make up many of the goods and services government and nonprofit organizations provide. However, students know about the free-rider problem personally when they are working on a team project and one group member chooses not to contribute but expects to receive the same grade!

- **Monopolies**, where the market is concentrated on one provider, often allowing the provider to charge whatever they would like for a product. Monopolies can be particularly problematic if they are providing goods or services that are needed by the public, such as medical care or electricity. Government often regulates monopolies by placing a cap on what they can charge, or may even break them up into smaller organizations.

Traditionally, market failures are one of the main reasons government intervenes with taxes and regulations. If people won't voluntarily provide funds for a public good (free-rider problem), government will tax the public in order to provide them, such as collecting taxes to fill potholes in the road or

---

3. Lester M. Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State," *Nonprofit and Voluntary Sector Quarterly* 16, no. 1–2 (January 1, 1987): 29–49, https://doi.org/10.1177/089976408701600104.

build a new bridge. If buying a car is risky because you don't know about the maintenance history (information asymmetries), states might pass a "lemon law" to protect your rights in the event the car breaks down shortly after purchase, allowing you a full refund. Government may fine polluters for dumping into a local river (externalities). Government may also set price caps for public goods provided by a monopoly, such as a public utility.

Government Failure

Yet, sometimes **government failure** also impacts the availability of public goods and services. Government failure may exist because government is unwilling or unable to provide that public good or service. One theory to explain government failure asserts government is only interested in producing goods that are desired by the majority of the public (also called the **median voter theorem**).[4] This leaves some goods and services under-provided by both market and government.[5] In the nonprofit context, this might include

4. Alec Wreford and Ian Clark, "Median Voter Theorem – Atlas of Public Management," 2018, https://www.atlas101.ca/pm/concepts/median-voter-theorem/.

5. Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government."

goods and services as diverse as arts organizations or mental health services. More broadly, it could include advocacy organizations working to protect public goods like forests, parks, clean air and public waterways.
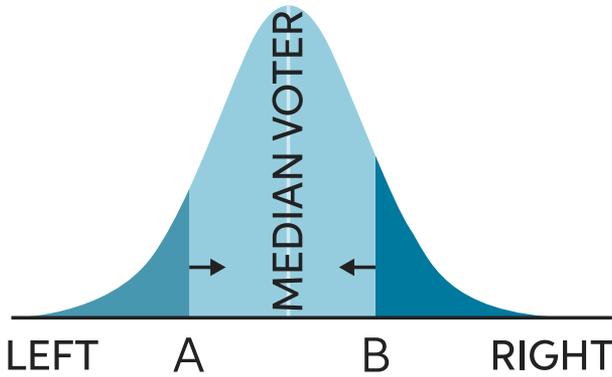
Image: "Median Voter Theorem," Chegg.com,

In both market and government failure, the public cannot access goods and services. This is where nonprofits step in, **"filling the gaps"** left behind by the inability of government and the market to provide for the public.[6]

---

6. Peter Frumkin, *On Being Nonprofit: A Conceptual And Policy Primer* (Cambridge, MA: Harvard University Press, 2005).

Activity

Explore the websites for the below organizations. Do you think they are responding to market failure? Government failure? Why or why not?

- White Bird Clinic
- Greenhill Animal Sanctuary
- Civil Liberties Defense Center
- Centro Latino Americano

Image: Getty Images/StockPhoto

Contract Failure

Contract Failure, on the other hand, is a distinct form of market failure that relates to information asymmetries. The public recognizes that a nonprofit organization is mission driven, not profit driven, and therefore may expect a better service than one provided by a for-profit business or government agency.[7] In this case, the public is more willing to select a nonprofit provider over other types of organizations because nonprofits are considered more trustworthy by the public.

Voluntary Failure

The last of the "four failures" is called **Voluntary Failure**. That is, no matter how much money is donated, or time given by volunteers, the nonprofit sector is insufficient to solve problems on its own. This failure requires that the public sector (government) shore up the nonprofit sector through financial support. Lester Salamon[8] considers four reasons for voluntary failure:

Philanthropic Insufficiency: Simply put, the nonprofit

---

7. Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government."

8. Salamon.

sector is not, on its own, able to generate or organize the resources necessary to "get to scale" and be large enough to solve society's problems. This is partially due to the free-rider problem, but also relates to how private donations are simply not adequate to provide for all desired public goods and services.

Philanthropic Particularism: This is the criticism that nonprofit organizations select only sub-groups to serve rather than the wider public. For example, groups may only serve individuals of a particular religion or ethnic group, or may serve only the people in a particular neighborhood, or their specific interests or profession. This can lead to favoritism or, in worst case scenarios, bias and discrimination.

Philanthropic Paternalism: Traditionally, those who run nonprofit organizations and other community groups tend to be those who already have access to a community's resources. This can leave a power imbalance between those who are serving and those who are being served, which may lead to organizations believing they "know what's best" for beneficiaries and giving beneficiaries no control over resources spent on their behalf. This may also mean that those in charge choose programs, activities and services that they personally perceive as valuable (from a position of relative privilege), while potentially ignoring the real needs of those they mean to serve.

Philanthropic Amateurism: Many organizations are led by individuals who do not have management expertise or experience. This is partly due to paternalism, where good intentions and outdated assumptions lead to ill-managed programs. It's also due to the lack of training and development in the nonprofit sector as a profession where specific skills and expertise are needed.
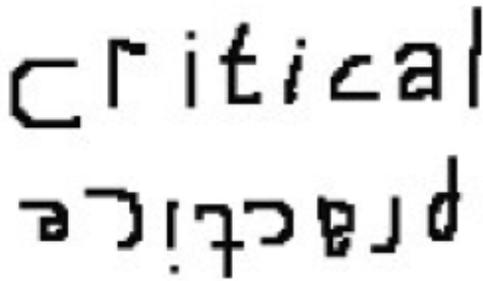
Critical Conversation

Read the following article by Davarian Baldwin in *Nonprofit Quarterly*: "Universities and Cities: Why We Must End the Nonprofit Path to Wealth Hoarding" and consider the following questions:

1. Would you consider Baldwin's description of the role of universities as voluntary failure? Why or why not?
2. If you did, which of Salamon's four dimensions of voluntary failure seem to relate most closely to what Baldwin is discussing?
3. Do you agree with the potential policy solutions recommended by Baldwin? Which one resonates with you the most?

Image: "Critical Practice logo" by neil cummings is licensed under CC BY-SA 2.0

2.2 Interdependence Theory

Due to the Four Failures, nonprofit organizations and government are mutually dependent on each other for providing services that the public needs and demands. Nonprofit organizations (due to voluntary failure) are dependent upon government for the financial resources necessary to do their work, and the government (due to

government failure) is dependent on the nonprofit sector to "fill the gaps" left by its own limitations and constraints. Sometimes the government may not directly produce a service, but rather they *provide* for one through the allocation of funds through grants and contracts to the nonprofit sector. This can be called **interdependency theory**.

2.3 Social Origins Theory

Image: "Sepak Takraw from Schagen's World Map (1689)" by oschene is licensed under a CC BY-NC-SA 2.0 license.

One final theory that I'd like to include in this chapter (there

are many others) is **Social Origins Theory**[9]. This theory provides a good framework to understand the variation in nonprofit sectors in different countries. For example, most higher-income countries have a substantial social safety net for citizens in need. In these countries, the nonprofit sector doesn't have as many human services organizations as we do in the United States. In countries that lack basic services, such as schools and medical care, the nonprofit sector may be focused on those activities. In countries that limit free speech or advocacy, there may be few, if any, organizations engaged in advocacy or activism.

Discussion Questions

- Define the four failures.
- Why does the nonprofit sector get involved in

9. Lester M. Salamon and Helmut K. Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally," *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 9, no. 3 (1998): 213–48, https://doi.org/10.1023/A:1022058200985.

responding to market failure or government failure? What is their role?

- Why do the types of nonprofit organizations and their roles in society differ around the globe? How do these differences reflect on the nonprofit sector in various parts of the world?

3.

MISSION, ETHICS AND ACCOUNTABILITY IN THE NONPROFIT SECTOR

Learning Objectives

After reading this chapter, you should be able to:

- Define a nonprofit's mission and vision statements.
- Explore some of the ethical issues and obligations facing nonprofit organizations and the nonprofit sector.
- Link nonprofit accountability to ethical

behavior.

3.1 Chapter Introduction

Nonprofit organizations are both similar to and different from for-profit businesses and government agencies, and they also have unique attributes. Due to their tax-exempt status and requirement to behave in the public interest, one of the unique attributes of the nonprofit sector is that it is often held to a very high standard of behavior.[1] They have important ethical and legal responsibilities that they must pay attention to, lest they end up on the front page of the newspaper or harm people. Nonprofit organizations have serious obligations to the public that should always be front-of-mind, from maintaining the public trust to protecting and acting in the best interests of their constituents, clients and beneficiaries. In this chapter, we will discuss the role of a nonprofit's mission statement and vision in guiding their behavior, the

---

1. Alnoor Ebrahim, "The Many Faces of Nonprofit Accountability," in *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, ed. David O. Renz (John Wiley & Sons, 2010).

expectations for accountability nonprofits have to meet and the ethical dilemmas they must avoid.

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://opentext.uoregon.edu/ intrononprofit/?p=62#oembed-1

3.2 The nonprofit mission

All nonprofit organizations have a mission statement: a "succinct description of the basic purpose of the organization."[2] A mission statement helps to define and guide the organization's activities. Usually only a couple of sentences long, a good mission statement should include:

- The nature of the work.
- The reason the organization exists.

---

2. Gary M. Grobman, *An Introduction to the Nonprofit Sector*, 4th edition (Harrisburg, Pennsylvania: White Hat Communications, 2015).

- The clients/constituencies they serve.
- The organization's principles and values.

Additionally, a good mission statement should be broad enough to allow the organization to grow, adapt and add new programs and activities. However, it shouldn't be too broad, as the community needs a good idea of what the organization's purpose is.

Activity

In groups, look up four different types of nonprofit organizations and find their mission statements on their websites.

- A community garden organization
- An international humanitarian organization
- A civil rights organization
- A local ballet company or symphony

1. Discuss their differences and similarities. Do they discuss their: Purpose? Reason for existing? Who they serve? Their principles and values?
2. Review their websites. If you were to re-write their mission statements, what would you include? As a group, write a first draft of a new mission statement for one organization.

Image: "Ballet" by Rodrigo Denubila licensed under a CC BY SA 2.0 license

3.3 Nonprofit Accountability

To be **accountable** is "to answer to one's behavior."[3] Calls for accountability in nonprofit organizations have been increasing over the past several decades, particularly when there is a scandal involving a nonprofit organization or the people who work for one (see the examples in the introduction).

Nonprofits fail to be accountable when they:

- Fail to follow their mission statement.
- Misappropriate funds (spending money on something different than what was said).
- Steal money.
- Mislead the public about what they are doing.
- Discriminate against their staff, their clients, volunteers or members of the public.
- Are wasteful.
- Fail to share financial information when asked.
- Can you think of others?

---

3. Helmut K. Anheier, *Nonprofit Organizations: Theory, Management, Policy*, 2nd ed. (New York: Routledge, 2014), http://books.google.com/books?hl=en&lr=&id=FCpc6YdSAT0C&oi=fnd&pg=PP1&dq="edition published in the Taylor and Francis e-Library," "purchase your own copy of this or any of Taylor & Francis or" "2005 Helmut K." "known or hereafter invented, including photocopying and" &ots=XwI7vdB88A&sig=SK_snvwMXOI0aEPXu2Kj0Q3O73U.

Nonprofits are also unique from other types of organizations because they are accountable to a wide variety of **stakeholders**. Stakeholders are those individuals or groups who are interested in what your organization is doing and whether or not it is meeting its mission.

Nonprofit stakeholders are different from those of businesses, which are most concerned about their owners or **shareholders**. They are also different from those of government, which is most accountable to citizens and voters. Nonprofit organizations have stakeholders both internally (volunteers, staff, board) and externally (the public, media, regulators). Additionally, they are accountable "upwards" to key stakeholders, as well as "downwards" to others. [4] The following table illustrates who these stakeholders might be:

---

4. Ebrahim, "The Many Faces of Nonprofit Accountability."

	Internal	External
Upwards	• **Board of Directors** • **Mission**	• **Major funders** • **Press** • **Regulators**
Downwards	• **Volunteers** • **Staff** • **Beneficiaries**	• **Community** • **Coalition partners**

Nonprofits are accountable for activities that they are expected to engage in (based on their mission), as well as the organization's performance, finances and legal compliance. Helmut Anheier[5] argues that accountability includes transparency of the organization's activities along with the behavior of their board members and employees. He argues that it's crucial for nonprofit managers to have a "culture of transparency" to help ensure accountability. Transparency can include:

---

5. Anheier, *Nonprofit Organizations*.

- Honesty in fundraising.
- Clear communication with donors and supporters.
- Fiscal accountability (who is responsible for what when it comes to managing the organization's money and its accounting practices).
- Posting financial information on the organization's website.

Some organizations, such as CharityNavigator or GuideStar, have set up websites where individuals can review available public information about organizations, including their most recent financial filings and other documents submitted to provide transparency.

3.4 Nonprofit Ethics

Running an ethical organization should be a top priority for nonprofit managers. **Ethics** are "well-based standards of right and wrong that prescribe what humans ought to do, usually in terms of duties, principles, specific virtues, or benefits to society."[6] Although this definition applies to individuals,

---

6. Craig E. Johnson, *Meeting the Ethical Challenges of Leadership: Casting Light Or Shadow* (SAGE Publications, 2007), 10.

organizations can also act ethically or unethically. If organizations act unethically, they can do harm, fail to meet their missions or face scandals that can lead to significant public embarrassment, lawsuits or even being forced to close down.

Activity

Individuals and organizations generally know what clear lines are drawn in their organizations (for example, don't steal), but staff, volunteers and board members can "get in trouble" when there is no clear distinction between right and wrong. Consider the following short scenarios. Are they potential ethical issues? Why or why not? What would you do in these situations?

1. You are an organization that works on child health. Your local fast food chain would like to make a large contribution in support of your "Activate Child Health"

day at the local elementary school.

2. Your sports organization is offered a contribution that will double your annual budget, but you are told you can't accept clientele who are transgender or gender non-conforming unless they are willing to participate as their "assigned gender at birth."

3. Your staff have worked very hard over the last year, particularly in recovering from the Covid-19 pandemic. You want to acknowledge their great and hard work by providing a significant bonus and throwing a party at a local country club.

4. A board member suggests their company, an accounting firm, should be hired by your organization to complete and file the annual financial reports.

5. Your organization is having trouble paying rent this month because donations are down. There are some leftover funds from a grant you received from a big local foundation. Your board chair suggests you use that leftover money to pay the rent.

Image: "Ethics" by masondan is licensed under CC BY-NC-SA 2.0

Unethical behavior by nonprofit organizations can include the following:

- Violation of your mission (what you say you are going to do).
- Discrimination.
- Fraud or embezzlement.
- Inappropriate fundraising practices.
- Failing to file your annual financial statements and forms on time.
- Accumulating too much profit and not spending it on the mission.
- Issues with salaries and benefits inside the organization.
- A lack of diversity among staff or board members.
- Self-dealing or self-interested behavior by board members or staff (called a **conflict of interest**).

critical practice

Read the assigned case study, "Standards for Child Sponsorship Agencies: Part A" (2002) by Esther Scott and Dave Brown. Before you come to class, consider the following questions:

- Based on the information provided in the case, who are child sponsorship agencies accountable to? Who are they most worried about offending?
- How do you feel about their fundraising program? Do you think they are being transparent with donors about where their money is going? Why or why not?
- Make a list of the potential ethical problems you see in this case. Why did you add them to your list?

Image: "Critical Practice logo" by neil cummings is licensed under CC BY-SA 2.0

4.

GOVERNMENT-NONPROFIT RELATIONSHIPS

Learning Objectives

After reading this chapter, you should be able to:

- Understand the ways nonprofit organizations interact with government.
- Understand the theory of government-nonprofit relationships.
- Gain practice considering the challenges and opportunities involved when a nonprofit works closely with government.

Image: "*Providing hygiene kits to families as they return home*" by *DFID – UK Department for International Development* is licensed under *CC BY 2.0*.

4.1 Chapter Introduction

Many nonprofit organizations work closely with government at the federal, state and local level in the United States. International nonprofits may work closely with their own federal governments, the governments where they work or international agencies like the United Nations or International Monetary Fund. Alternatively, organizations may work in conflict with government(s) through their advocacy efforts. This chapter covers the different ways nonprofit organizations interact with government and government agencies, from close partners to adversaries.

4.2 Shape(s) of Nonprofit-Government Relationships

Relationships between nonprofit organizations and governments take many forms in both theory and practice. These relationships may include:

- Contracts.
- Grants.
- Third-Party Payments.
- Tax-deductions and Tax Exemptions.
- Joint Ventures (Public-Private Partnerships).
- Privatization.
- Advocacy.
- Policy change.

4.3 Nonprofit organizations as partners to government

As discussed in Chapter 2, the nonprofit sector has a crucial role in providing much needed services and programs that government is either not able or willing to organize itself. However, government often provides funding – through **grants and contracts** – that supports the delivery of public

goods and human services by nonprofit organizations to the public. This requires a close partnership between government and nonprofit organizations.[1] In Chapter 2, we called that **interdependence theory**; government depends on the nonprofit sector to deliver services, while the nonprofit sector depends on government for funding.

The following examples demonstrate the many ways government and the nonprofit sector work together.

Tax Deductions and Tax Breaks

Almost all organizations in the nonprofit sector interact with government through tax exemption. The U.S. federal government forgoes literally billions of dollars in tax revenue every year by allowing most nonprofits to be exempt from paying taxes on their revenues. Most state and local governments also extend tax exemption to nonprofits in their jurisdictions. In exchange, nonprofits agree to a few rules, including: 1) acting in the public interest, 2) being transparent about finances and 3) having a board of directors that will provide oversight of the organization. These requirements

---

1. R. Smith and Kirsten A. Grønbjerg, "Scope and Theor of Government-Nonprofit Relations," in *The Non-Profit Sector: A Research Handbook*, ed. W. W. Powell and Richard Steinberg, Second (New Haven, CT: Yale University Press, 2006), 221–42.

ensure shared leadership of nonprofit organizations and allow public scrutiny of their finances.[2]

Privatization

Sometimes government steps back from providing a service altogether, turning the services and programs over to the private sector (both businesses and nonprofits). **Privatization** is "the act of reducing the role of government or increasing the role of the private institutions of society in satisfying people's needs; it means relying more on the private sector and less on government."[3] Governments often engage in privatization measures in order to "shrink" the size of government, find new efficiencies and save taxpayer dollars. There are different types of privatization efforts, from grants and contracts to full divestment.[4]

- **Contracts.** The United States federal government, states and local governments enter contracts with external vendors, including nonprofit, for-profit and other

2. Candid Learning, "Trainings in Nonprofit Fundraising, Proposal Writing, Grants," Candid Learning, accessed May 2, 2022, https://learning.candid.org/resources/knowledge-base/pros-and-cons;

3. E S Savas, *Privatization and Public-Private Partnerships* (Chatham, NJ: Chatham House, 2000), 2.

4. Savas, *Privatization and Public-Private Partnerships*.

government agencies, to carry out its work. [Contracts](#) are the "mutually binding legal relationship obligating the seller [contractor] to furnish the supplies or services (including construction) and the buyer [federal government] to pay for them."[5]

The nonprofit sector receives billions of dollars annually through federal, state and local contracts to deliver particular services, projects and programs that the government is, by law, required to provide. Among nonprofits, healthcare nonprofits have the highest proportion of contracts, followed by organizations focused on the environment and animals and other social services.[6]

5. "Part 2 - Definitions of Words and Terms | Acquisition.GOV," Acquisition.Gov, accessed April 7, 2022, https://www.acquisition.gov/far/part-2.

6. Sarah L Pettijohn and Elizabeth T Boris, "Contracts and Grants between Nonprofits and Government," 2013, 8.

Discussion

In some cases, government opts to allow private organizations to take over a service typically administered by government. This is called **contracting out**. For example, in 2022, [Hillsborough County in Florida contracted out their entire child protective services to a nonprofit, The Children's Network of Southwest Florida](). Interestingly, the organization didn't submit their own bid for the contract. Instead, the state recruited them to provide the service.

Read the article linked above and answer the following questions:

1. What is the goal of government wanting to contract out child protective services to a nonprofit rather than doing it themselves?
2. Why might the nonprofit be interested in providing the service? What challenges might they face?

- **Grants**. On the other hand, grants are "authorized expenditure[s] to a non-federal entity for a defined public or private purpose in which services are not rendered to the federal government."[7] Grants are usually given for a specific purpose to benefit project or program development in organizations. They do not have to be paid back. While most federal grants are provided to state and local governments, some nonprofit agencies are able to apply for them. In addition, nonprofits often compete for grant funding from their states, counties and municipalities as well. The below graphic[8] shows how the federal government, state and local agencies and nonprofit organizations interact in terms of grants and contracts.

---

7. USASpending.gov, "Glossary," accessed May 2, 2022, https://usaspending.gov/.

8. National Council of Nonprofits, "Toward Common Sense Contracting: What Taxpayers Deserve" (Washington, DC: National Council on Nonprofits, 2014), https://www.councilofnonprofits.org/sites/default/files/documents/toward-common-sense-contracting-what-taxpayers-deserve.pdf.
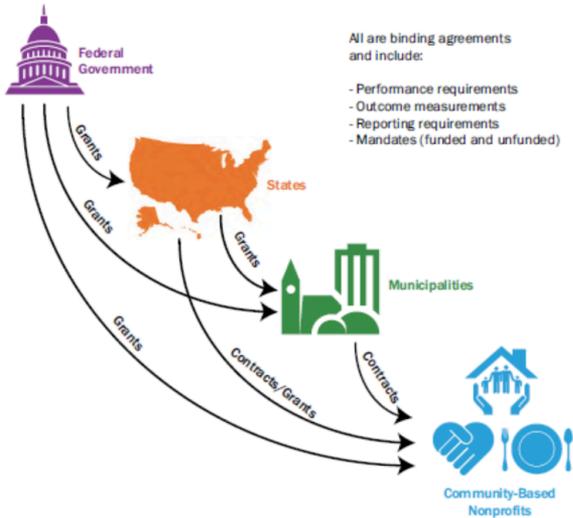
Public-Private Partnerships (PPP)

PPP occur when government agencies and nonprofit or for-profit organizations collaborate to jointly define and develop a product, project or service. PPP are one way that organizations help to leverage the finances, management, ideas and leadership available across the three sectors.[9]

---

9. STUART C. MENDEL and JEFFREY L. BRUDNEY, "PUTTING THE NP IN PPP: The Role of Nonprofit Organizations in Public-Private Partnerships," *Public Performance & Management Review* 35, no. 4 (2012): 617–42.

The [San Diego Regional Policy & Innovation Center](#) is a new partnership between the County of San Diego, CA, the [San Diego Foundation](#) and the [Brookings Institution](#), a leading nonprofit think tank. It was founded in 2021 and, as its own nonprofit organization, is designed to: "**develop**, **test** and **implement** world-class research and policy-driven solutions to address **our region's most pressing challenges**. We use applied research to help local leaders identify catalytic policies, programs, and interventions and attract greater capital to the region." Read the following article: https://www.sandiegouniontribune.com/news/

politics/story/2021-09-27/new-partnership-brookings-foundation

- What is the Policy and Innovation Center seeking to do?
- Why do they feel like their approach as a Public-Private Partnership is the right one to solve social issues?

4.4 Benefits and Challenges of Nonprofit-Government Partnerships

An outstanding question is: why do government and nonprofit organizations seek partnerships, whether through collaboration or contracts and grants?

A government agency may want to partner with nonprofit organizations to help cut costs to taxpayers. This **contracting out** has been a trend in government over the past several decades. Whether it's a desire to "shrink the size" of

government or identify competencies and expertise not held by the agency, contracting out aims to ensure that the program is being provided without government having to undertake it.[10]

Government agencies may also be interested in working through nonprofit agencies to leverage the nonprofit's **positive community reputation**, particularly among constituencies that may be otherwise hard to reach – such as immigrants or the unhoused population. In some ways, this can be seen as government understanding Contract Failure from Chapter 2 and using this to its advantage in delivering a public service.

Nonprofits, on the other hand, may look forward to the additional financial resources of partnerships, allowing them to grow their organizations, build their capacity to do more work and provide financial stability. They may also enjoy more influence among policymakers or over policy processes and gain further legitimacy with other donors.

---

10. Anna A. Amirkhanyan, "Monitoring across Sectors: Examining the Effect of Nonprofit and For-Profit Contractor Ownership on Performance Monitoring in State and Local Contracts," *Public Administration Review* 70, no. 5 (2010): 742–55, https://doi.org/10.1111/j.1540-6210.2010.02202.x; Michael Lipsky and Steven Rathgeb Smith, "Nonprofit Organizations, Government, and the Welfare State," *Political Science Quarterly* 104, no. 4 (1989): 625–48, https://doi.org/10.2307/2151102.

However, these relationships can be challenging. For one, contracting out services to third parties can make identifying lines of accountability difficult when something goes wrong; each side can easily blame the other. Additionally, nonprofits may find the added burden of additional red tape – usually through oversight or filing reports and updates – difficult to manage effectively. Nonprofits may also find themselves working on issues outside their stated mission (sometimes called **mission drift**).
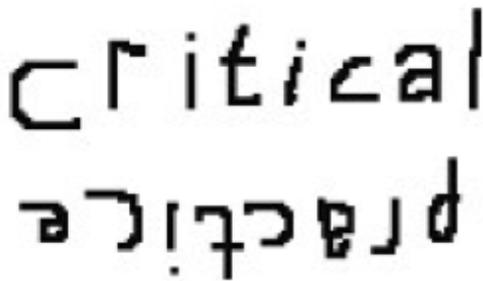
critical
practice

Mission drift, or mission creep, has often been seen as a bad thing[pdf] to be avoided at all costs by the nonprofit sector. Although it's true that organizations may become stretched too

thin, and even end up engaging in activities not aligned with their mission statement, some scholars have recently started to encourage nonprofit leaders to think more critically about the issues of "mission drift" in their organizations. Read [this article](#) by Vu Le, a leading blogger and thinker about the nonprofit sector in the United States. Consider the following questions:

- Why do some people think that mission drift shouldn't be avoided at all costs by organizations?
- What are the downsides of strictly adhering to a mission? Or developing a very narrow mission?
- How should managers think about mission drift instead?

Image Source: ["Critical Practice logo"](#) by [neil cummings](#) is licensed under [CC BY-SA 2.0](#)

4.5 Nonprofits as Advocates and Adversaries to Government

Although many nonprofits work closely with government agencies to implement programs and public services, many nonprofits also engage in advocacy efforts. Advocacy is "speaking or acting on the behalf of others."[11] [Chapter 7](#) discusses nonprofit advocacy in much more detail.

Advocacy, and even lobbying, isn't just undertaken by "political" organizations. Nonprofit organizations engage in advocacy for many reasons, including to: advocate for public funding to support certain organizations and issues; raise awareness within the communities they work with; help refine or change existing public policy to better serve their constituents; lobby for policy change at the local, state, federal or international levels; and help people understand policy issues and connect them to their representatives.

A lot of advocacy efforts can be adversarial, with organizations challenging government agencies and legislatures to be more responsive to social issues and problems. However, advocacy

---

11. Kelly LeRoux and Mary K Feeney, *Nonprofit Organizations an Civil Society in the United States* (New York: Routeledge, 2015).

can also be participation in political processes, including serving on local commissions and committees or working with government agencies to define a new grant proposal process. In these ways, nonprofit organizations can be involved in policy processes and changes at all different levels of government.

One or more interactive elements has been excluded from this version of the text. You can view them online here:
https://opentext.uoregon.edu/intrononprofit/?p=72#oembed-1

Advocacy in Action

Watch the first few minutes of Keenya Robertson testifying before the U.S. House of Representatives Committee on Appropriations in 2019 (start at about the 22 minute mark). Mrs. Robertson is the Board Chair of the National Fair Housing Alliance and President and CEO of

[Housing Opportunities Project for Excellence, Inc](.).
Consider the following questions:

- What is Mrs. Robertson's priority?
- What is she asking Congress for?
- Did she share information about the problems faced by the people her organization serves? How did she do that?

5.

VOLUNTEERS AND VOLUNTARY ACTION

Learning Objectives

After reading this chapter, you should be able to:

- Define volunteering and volunteerism.
- Understand why people volunteer.
- Recognize how organizations use volunteers.

Image: "Green Day's Tre Cool and ONE Volunteers at Warped" by Brande Jackson is licensed under CC BY-NC-ND 2.0.

5.1 Chapter Introduction

So far in this book, we have covered the theories and the "why" of many issues that nonprofit managers have to consider when running their organizations. We have also discussed how scholars think about nonprofit organizations, their activities and their role in society. This chapter begins to look at *how* nonprofit organizations organize their resources and work for change, starting with volunteers and voluntary action.

Approximately one third of Americans – almost 80 million

people – <u>volunteer every year</u>.[1] Additionally, scholars have estimated nearly 1 million people volunteered internationally every year before the Covid-19 pandemic curtailed international travel.[2] In 2016, the U.S. Bureau of Labor Statistics <u>reported</u> that women are more likely to volunteer than men and the most active age group were those 35-44 years old.

The impact of these volunteers on organizations can't be under-estimated. Many, if not most, nonprofit organizations rely upon volunteers to support their activities. Smaller organizations may have no paid staff and are completely organized and managed by volunteers. Additionally, almost all nonprofit organizations have a volunteer board of directors providing oversight of the organization. This chapter will first discuss how volunteers are defined, who volunteers and why people volunteer. It will end with a discussion about what managers might want to consider in running a successful volunteer program for their organization.

---

1. US Census Bureau, "National Volunteer Week: April 17-23, 2022," Census.gov, accessed May 4, 2022, https://www.census.gov/newsroom/stories/volunteer-week.html.
2. Benjamin J Lough, "A Decade of International Volunteering from the United States, 2004 to 2014," Research Brief (St. Louis, MO: Center for Social Development, 2015).

5.2 Defining volunteering

Believe it or not, there are many different ways to define volunteering. Broadly, **volunteering** is unsalaried service[3] and is "any activity in which time is given freely to benefit another person, group or cause."[4] However, while it is undertaken as part of an individual's leisure time, it is also often considered "work"[5] – making its classification difficult. Most definitions of volunteering include the following four key elements: [6]

- free will.
- no financial reward.
- helping strangers/beneficiaries.
- conducted through an organization.

However, this doesn't take into account different motivations

---

3. Ram A. Cnaan, Femida Handy, and Margaret Wadsworth, "Defining Who Is a Volunteer: Conceptual and Empirical Considerations," *Nonprofit and Voluntary Sector Quarterly* 25, no. 3 (1996): 364–83.

4. John Wilson, "Volunteering," *Annual Review of Sociology* 26 (2000): 215.

5. Lester Salamon, Megan A. Haddock, and S. Wojciech Sokolowski, "Closing the Gap? New Perspectives on Volunteering North and South," in *Perpsectives on Volunteering: Voices from the South*, ed. Jacqueline Butcher and Christopher J Einolf (Switzerland: Springer International Publishing, 2017), 29–52.

6. John Wilson, "Volunteerism Research A Review Essay," *Nonprofit and Voluntary Sector Quarterly* 41, no. 2 (April 1, 2012): 176–212, https://doi.org/10.1177/0899764011434558.

people have to help and the types of volunteering available. Although volunteering is usually done **without a financial reward**, individuals can and often do receive a benefit of some sort. For example, they may receive recognition for their service, free t-shirts, free food or free membership with an organization in exchange for their service. In addition, a definition requiring work for a **formal organization** ignores the fact that much voluntary action is conducted outside of formal organizations**.**

Informal volunteering is "unpaid, non-compulsory work: that is, time individuals give without pay to activities performed either through an organization or directly for others outside their own household." Two examples of informal volunteering are driving an elderly neighbor to a doctor's appointment or watching your neighbors' children for free if they need a babysitter. Higher rates of informal volunteering – through supporting each others' communities – are seen among women, people of color and those with lower-incomes. This can lead to negative stereotypes about marginalized communities, creating a belief that they aren't somehow involved in serving their communities.[7] Most measurements of volunteering in the United States don't take

---

7. Jon Dean, "Informal Volunteering, Inequality, and Illegitimacy," *Nonprofit and Voluntary Sector Quarterly*, July 27, 2021, 08997640211034580, https://doi.org/10.1177/08997640211034580.

informal volunteering into account, which can leave many helping behaviors and voluntary actions hidden from view and thus undervalued.

Discussion: Covid-19 and Volunteering

When the Covid-19 pandemic shuttered businesses, churches and nonprofit organizations across the country in early 2020, some individuals stepped up to help their neighbors in need. Read this article about one individual's effort in the San Francisco Bay Area and discuss the following questions:

- Would you consider Mr. Pham's efforts in

his community formal or informal volunteering? Why or why not?

- What were other strategies taken by others equally concerned about food insecurity during the pandemic?
- How have you and your family or friends engaged in informal volunteering? Formal volunteering?

Image: "Feeding Mind and Body" by Phil Roeder is licensed under CC BY-ND 2.0

5.3 Why Do People Volunteer

While defining volunteering can be challenging, understanding why people volunteer is also difficult, as people volunteer for a diverse set of reasons. They may be motivated by **instrumental reasons**, like adding to a resume, being social with others, the social environment they live in or a sense of **reciprocity** they share with their community members, friends and family.

For example, some scholars take a **functional approach**, suggesting that volunteer motivations serve different functions, or needs, of individuals.[8] These functions may include an interest in expressing their values, learning about the world, personal growth, career development, an interest in social interaction or trying to lessen feelings of guilt or obligation.

Volunteers may be motivated by religious or spiritual obligations or values, a desire to provide community support or life-changing events that may change values and priorities.[9] People may also volunteer for different reasons at different times of their lives.[10]

Both in the United States and internationally, different cultural, ethnic and racial groups may have different reasons for volunteering. Latino/a/x communities, for example, may

---

8. E. Gil Clary and Mark Snyder, "The Motivations to Volunteer: Theoretical and Practical Considerations," *Current Directions in Psychological Science* 8, no. 5 (October 1, 1999): 156–59.

9. James L Perry et al., "What Drives Morally Committed Citizens? A Study of the Antecedents of Public Service Motivation," *Public Administration Review* 68, no. 3 (May 1, 2008): 445–58, https://doi.org/10.1111/j.1540-6210.2008.00881.x.

10. Takashi Yamashita et al., "Underlying Motivations of Volunteering Across Life Stages: A Study of Volunteers in Nonprofit Organizations in Nevada," *Journal of Applied Gerontology* 38, no. 2 (February 1, 2019): 207–31, https://doi.org/10.1177/0733464817701202.

volunteer for more family-oriented reasons[11], while religion is shown to be an important factor for African-American communities.[12] Informal volunteering is slightly more predominant than formal volunteering in Black and Hispanic/ Latino communities[13] but the opposite is true for people with disabilities.[14]

5.4 Valuing Volunteering

Nonprofit scholars and practitioners are also very interested in measuring the economic impact of volunteers. But, how do you measure the value of a volunteer when they are not paid for their services? There are a few different ways practitioners

---

11. Beverly B. Hobbs, "Diversifying the Volunteer Base: Latinos and Volunteerism," *Journal of Extension* 39, no. 4 (2001): 46–53.

12. Ian A. Gutierrez and Jacqueline S. Mattis, "Factors Predicting Volunteer Engagement Among Urban-Residing African American Women," *Journal of Black Studies* 45, no. 7 (October 1, 2014): 599–619, https://doi.org/10.1177/0021934714543189.

13. Young-joo Lee and Jeffrey L. Brudney, "Participation in Formal and Informal Volunteering: Implications for Volunteer Recruitment," *Nonprofit Management and Leadership* 23, no. 2 (2012): 159–80, https://doi.org/10.1002/nml.21060.

14. Carrie L. Shandra, "Disability and Social Participation: The Case of Formal and Informal Volunteering," *Social Science Research* 68 (November 1, 2017): 195–213, https://doi.org/10.1016/j.ssresearch.2017.02.006.

may consider the value of volunteer work within their organization.[15]

One way managers can measure the value of volunteering is to consider the **opportunity cost** of a volunteer's time. In other words, what would a volunteer have earned if they were working instead of volunteering their time? While it may be easy to calculate what a volunteer may have earned for the same amount of time in any current employment they have, it is much more difficult to measure the value of the leisure time that individuals are foregoing in order to volunteer.

Managers can also measure the **replacement cost** of their volunteers. That is, how much would the organization have to pay if they hired someone to do the work a volunteer can do? Although this is more straightforward, there are many volunteer positions – such as donating blood, preparing and delivering meals to the elderly, helping with your church's yard sale or coaching your kids' sports team – for which there is no clear market comparison. In addition, how would you replace someone with a paid employee in positions that are almost exclusively held by volunteers – such as board service?

Last, managers can assess **organizational value** – or the way

15. Laura Leete, "The Valuation of Volunteer Labor," in *Handbook of Research on Nonprofit Economics and Management, Bruce A. Seaman and Dennis R. Young (Eds.)* (Northampton, MA: Edward Elgar Publishing, 2010), 238–48.

the organization values their volunteers' efforts. This is intangible value that may be impossible to place a monetary figure on. Volunteers are ambassadors for the organization, can provide networking opportunities in order to identify collaborative partnerships and may be a key feature of the organization's values and culture.

Volunteers and the American Red Cross

In Chapter 1 you were introduced to the role of the American Red Cross (ARC) when you were thinking about instrumental vs. expressive organizations. Did you know that 90% of ARC's workforce are volunteers? Over 300,000 volunteers engage in a variety of activities, from responding to house fires to installing fire alarms

to responding to disasters by staffing shelters and providing mental health care, spiritual care and case management. Volunteers also lead local chapters, conduct local fundraising and help to spread awareness about ARC's activities in their communities. How would you measure the value of these volunteers to the organization?

Image: Twitter https://twitter.com/redcross/status/
[1251873188515962882](https://twitter.com/redcross/status/1251873188515962882)

5.5 Considerations for Managers

The challenges facing volunteer managers are complex. How do you match volunteer motivations with the tasks your organization needs? As discussed above, volunteers come to nonprofit organizations for a diverse set of reasons; a successful manager will try to match a volunteer's interests with positions they need filled in their organization. For example, if you have a volunteer who is looking for something to do in their spare time that offers a social outlet, assigning them to tasks done independently will likely lead to that volunteer not returning to help the organization.

Managers also need to consider what tasks within their organization would best be filled by a volunteer rather than built into the job description of a paid employee. This should be done strategically as part of a larger conversation about staffing needs in organizations.

Lastly, volunteers need to be supported in their roles, or they will lose their motivation and fail to return. Hager and Brudney assert, "unless organizations pay attention to issues of volunteer management, they will not do a good job of recruiting, satisfying, and retaining volunteers."[16]

To manage volunteers, many leaders use practices and structures recommended by scholars and practitioners that closely resemble other human resource management (HRM) practices used by businesses to hire, train and manage employees.[17] When organized well, volunteering can help meet the social, psychological and professional needs of individuals and help organizations improve their impact. Some questions

---

16. Mark A. Hager and Jeffrey L. Brudney, "Problems Recruiting Volunteers: Nature versus Nurture," *Nonprofit Management and Leadership* 22, no. 2 (December 1, 2011): 2, https://doi.org/10.1002/nml.20046.

17. Kerstin Alfes, Bethania Antunes, and Amanda D. Shantz, "The Management of Volunteers – What Can Human Resources Do? A Review and Research Agenda," *International Journal of Human Resource Management* 28, no. 1 (January 2017): 62–97, https://doi.org/10.1080/09585192.2016.1242508.

that managers must consider in launching a volunteer management program are:

- Who will be responsible for managing volunteers?
- What do you need volunteers for? How long do you need them for?
- Where will you find volunteers?
- What training will they require in order to fill their role(s)?
- How will you keep them motivated?

Activity: Develop a Volunteer Management Plan

You are the volunteer manager for the local NAACP chapter that runs a mobile food pantry

like [this one](#) in partnership with the local food bank, among other programs. Since your organization would like to expand the program to take place in more locations and for more hours every week, your supervisor has asked you to put together a new volunteer plan for the program. Take a few minutes to think about how you would answer the following questions:

- What tasks might you use volunteers for? Who are your ideal volunteers? What are their likely motivations?
- How will you recruit them? (Where will you find them?)
- What type of training will they need to be successful?
- What type of support can your organization provide to keep them motivated and engaged?
- How will you measure their contributions to your mission?

Bonus: Sketch out what a volunteer job description might look like for this role.

Adapted from: Jones, J. A. (2020). "Volunteer management:

introducing students to the art and the science."

Management Teaching Review, 5(2), 163-171.

Image: "Cart for the Food Bank" by Waldo Jaquith is licensed under CC BY-SA 2.0

5.6 Summary

In this chapter we discussed the reasons why people might volunteer for organizations, the difference between formal and informal volunteering and some considerations managers may want to integrate into a successful volunteer program. One key lesson is that **volunteers are not free** to organizations. Working with volunteers in nonprofit organizations requires that managers use volunteers strategically and in ways that will leave both the organization and the volunteer enriched by their service. This takes intentionality and planning to do well. Many organizations may even hire professional staff whose sole job is volunteer recruitment, training and support.

6.

PHILANTHROPY AND CHARITABLE GIVING

Learning Objectives

After reading this chapter, you should be able to:

- Understand why people give to nonprofit organizations.
- List the ways nonprofits access financial resources.
- Consider contemporary critiques of philanthropy.

Image: *"[Donation Box](#)" by [Yukiko Matsuoka](#) is licensed under [CC BY 2.0](#).*

6.1 Chapter introduction

Despite the Covid-19 pandemic, or perhaps because of it, charitable giving in the United States reached an [all-time high in 2020](#): $471 billion, a 15% increase over the previous year.[1]

Perhaps this shouldn't be a surprise, but nonprofit organizations usually need financial resources in order to meet their mission as organizations. Larger organizations need to

---

1. Haleluya Hadero, "Charitable Giving in the U.S. Reaches All-Time High in 2020," AP NEWS, June 15, 2021, https://apnews.com/article/philanthropy-health-coronavirus-pandemic-business-94cac51d5caf18f48a7827de04e017c0.

pay staff salaries, pay to implement their programs and pay rent and utilities. Even small, community-based organizations without staff often require a modest budget to be able to implement their plans – from purchasing necessary supplies and equipment, to marketing their work (printing flyers and brochures, media campaigns), to reimbursing volunteers for travel expenses. It seems sometimes that nonprofit organizations are always on the hunt for more resources to support their work.

In this chapter, we will discuss the various **revenue streams** that organizations use to raise the funds they need. We will also cover some of the leading theories that explain *why* people give money to nonprofit organizations. We will finish with a short discussion of some of the critiques of philanthropy in the United States and around the world.

6.2 Defining philanthropy and charitable giving

Although I think we all know what philanthropy means, there is quite a bit of diversity for the terms used by scholars and practitioners. [Merriam-Webster](#) defines **philanthropy** as "goodwill to fellow members of the human race." While it usually relates to financial donations, sometimes "gifts" of time (volunteering) is also included (see [Chapter 5](#) for more

on volunteering).[2] It is often perceived as altruistic, benefitting others.

When people think of philanthropy, they often first think of wealthy individuals who give a significant amount of their wealth away through one form or another – from a single gift to a favorite organization to setting up a family foundation in their name. Those foundations then make their own grants to organizations, sometimes for decades or longer. Take a look at MacKenzie Scott as she seeks to give away a significant proportion of her wealth.

---

2. Robert L. Payton and Michael P. Moody, *Understanding Philanthropy: Its Meaning and Mission* (Indiana University Press, 2008).
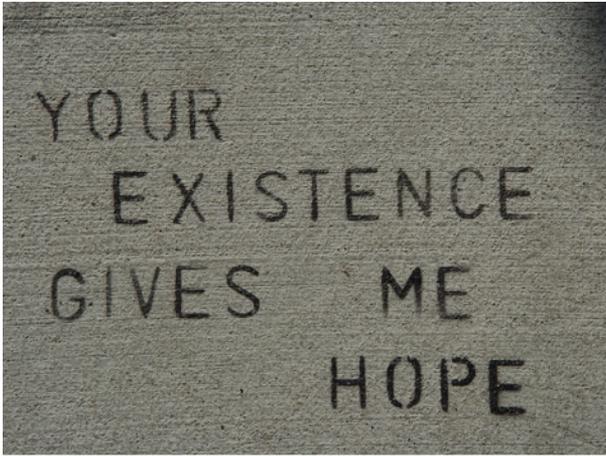
Foundations

Foundations are a specific type of nonprofit organization, often with a primary goal to help collect and distribute money to other nonprofit organizations. The Council of Foundations defines a **foundation** as "an entity that supports charitable activities by making grants to unrelated organizations or institutions or to individuals for scientific, educational, cultural, religious, or other charitable purposes." These organizations must pay out at least 5% of their assets each year in grants.

Private foundations are founded by an individual, family or corporation.

Public Charities may also provide grants to other individuals and organizations, but they are generally supported by the public at large, rather than a single person or business. **Community foundations** are included in this category, as they raise their money and often distribute those funds in specific communities.

Explore more about foundations at the [Council on Foundations](#).

Image: "[Sidewalk Stencil: Your existence gives me hope](#)" by [Franco Folini](#) is licensed under [CC BY-SA 2.0](#)

Charitable giving, on the other hand, often means any gift of money, time, goods or services to those in need. It also usually refers to individual gifts, rather than institutional gifts from foundations or corporations.

Both scholars and practitioners often use these two terms – philanthropy and charitable giving – interchangeably.

Charitable giving across cultures and faiths

Like volunteering, different groups of people tend to give money away to charity differently. [Different parts of the country tend to give at different rates, and "blue states" tend to give less than "red states."](#) The main driver for this seems to be religious practice. Those who attend religious services more frequently tend to give more often – and even give more – than those who don't.

Among different racial and ethnic group, [Black donors tend to donate a higher proportion of their wealth than white donors](#). This trend also holds for the [Latino/a/x and Asian communities](#).

6.3 Why people give

One of the big challenges facing scholars who study charitable giving and philanthropy is understanding why people donate money to causes and organizations that they do not directly benefit from. Classical economics would argue that charitable giving is irrational. That is, in an effort to maximize their own

best interest, or **maximizing their utility**, individuals shouldn't be expected to give away their wealth with no expectation of any benefit in return. There are several different theories to explain why otherwise self-interested individuals will give money away.

Public goods provision. Economists argue that individuals desire a certain level of public goods in their communities (such as education, the arts, human services), and they will contribute their own money to support the provision of these services up to the point where government steps in to support the provision of the good. In this way, government provision could be seen as **crowding-out** private philanthropy.[3] In other words, every dollar of government provision for a public good will lead to donors giving one dollar less in charitable giving. Yet, research has found that people do tend to contribute past the point of government funding, leading to only a partial crowding-out.[4]

Impure Altruism and Warm-glow. Economist James

---

3. Burton A. Weisbord, "Private Goods, Collective Goods: The Role of the Nonprofit Sector Charitable Organizations," *Research in Law and Economics* Supplement 1 (1980): 139–70.

4. James Andreoni, "An Experimental Test of the Public-Goods Crowding-Out Hypothesis," *The American Economic Review* 83, no. 5 (1993): 1317–27.

Andreoni argued that individuals are rarely purely altruistic.[5] That is, they don't engage in charitable giving with no real expectation of a benefit. Rather, people are engaged in what he calls **impure altruism**. He suggests that individuals often give to charity because doing so makes them feel good – what he calls a **warm glow**. This outcome is a powerful benefit received by the donor that can incentivize them to give away a part of their wealth.

Reputational Concerns. Outside of making a donor feel good, charitable giving can also improve one's reputation in the community. Since people want to be seen as "good," charitable giving is one way someone can demonstrate that they are a good person that can be respected.[6]

Signaling. Related to reputational benefits, wealthy people might give financial gifts to organizations in order to signal, or demonstrate, their wealth to their communities.[7]

Peer Pressure. Individuals are influenced by peer pressure; they want to behave in similar ways to others. One tool that

5. J. Andreoni, "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving," *The Economic Journal* 100, no. 401 (1990): 464–77.

6. David Reinstein and Gerhard Riener, "Reputation and Influence in Charitable Giving: An Experiment," *Theory and Decision* 72, no. 2 (February 1, 2012): 221–43, https://doi.org/10.1007/s11238-011-9245-8.

7. A. Glazer and K. A Konrad, "A Signaling Explanation for Charity," *The American Economic Review* 86, no. 4 (1996): 1019–28.

has been shown to influence charitable giving is called **social information** — when giving behavior of others is shown to potential donors, they tend to give in similar ways.[8]

Discussion: Theories of Charitable Giving

In 2013, Jen Shang and Rachel Croson published the results from an experiment with a public radio station conducting a fundraising drive. During these drives, on-air personalities encourage listeners to call-in and make a

8. J. Shang and R. Croson, "A Field Experiment in Charitable Contribution: The Impact of Social Information on the Voluntary Provision of Public Goods," *The Economic Journal* 119, no. 540 (2009): 1422–39.

financial contribution to support the station and the programming they enjoy.

As part of the experiment, potential donors who called in were randomly assigned to different treatment groups. Some donors were informed that a "previous donor" had contributed $75 (or $180 or $300), then asked "How much would you like to pledge today?" The control group in the experiment was not given any information about a previous donor's gift.

Not surprisingly, donors who received information about previous donors often gave more than those donors who did not receive this information.

Discussion questions:

- For donors who are calling in to the station, what might be one motivation for giving? Which theory or theories might explain why people give to support public radio?
- Which theories were Shang and Croson using in their experiment with the potential donors to potentially increase

their gift?

- If you were a fundraising manager, what messages might work best if you think people are motivated by the different theories?

Croson, Rachel, and Jen Shang. "Limits of the Effect of Social Information on the Voluntary Provision of Public Goods: Evidence from Field Experiments." *Economic Inquiry* 51, no. 1 (January 2013): 473–77.

Image: "[Mel Aguilar at Indiana Public Radio](#)" by [susi.bsu](#) is licensed under [CC BY 2.0](#)

6.4 How else do organizations raise money?

Believe it or not, individual, foundation and corporate donors give less than 20% of the money that flows into the nonprofit sector every year. Donations from individuals only account for 9% of the nonprofit sector's revenue.

49% EARNED
Private Fees for Services

31.8% EARNED
Government
Grants/Contracts

8.7% DONATED
Individuals

2.9% DONATED
Foundations

1.5% DONATED
Bequests

.9% DONATED
Corporations

5.2% Other

Image: Nonprofit Impact Matters [pdf] (2019) by the National Council of Nonprofits

What surprises you about the image above? To me, the fact that private foundations only account for 2.9% of the revenue of the nonprofit sector is surprising. Corporate donations, too, account for less than one percent!

Instead, the vast majority of the money that nonprofit organizations receive every year – upwards of 80% of it – comes from either government contracts/grants or **fees for service**.[9] Government contracts and fees for service are often called **earned income,** where there is a payment of some sort

---

9. Mark Hrywna, "80% Of Nonprofits' Revenue Is From Government, Fee For Service," *The NonProfit Times*, September 19, 2019, https://www.thenonprofittimes.com/news/80-of-nonprofits-revenue-is-from-government-fee-for-service/.

in exchange for a service provided by the organization. Under the fees for service category above, the largest proportion are the fees private insurance pays for medical care and tuition for nonprofit colleges and universities. However, it can also include tickets to a musical concert, or a museum, or the sales at thrift stores run by nonprofit organizations.

One form of earned income, and one that is growing, is **social enterprises**. We will discuss social enterprises in much more detail in [Chapter 8](#), but for the purpose of fundraising, a social enterprise can be any organization that uses the **market to create social value**. In this case, any nonprofit that seeks to generate additional money through sales of a good or service could be included in our definition of social enterprises.
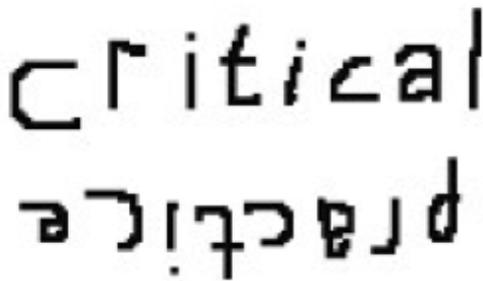
critical practice

Can Philanthropy Solve Social Problems?

As we have seen above, donations from individuals are only 9% of the revenue that flows into the nonprofit sector. Many scholars and nonprofit leaders have pointed out that even a significant amount of philanthropy is often not adequate to solve the problems communities face – we discussed this in Chapter 2 when we talked about **voluntary failure**.

Taking things a step farther, some scholars and community leaders challenge the notion that philanthropy is always a force for good and have become critical of the role of philanthropy in our society. Consider these facts:

- Most charitable giving does not go to organizations that serve the poor or most needy.
- Large-donor philanthropy from individuals or private foundations rarely fund advocacy efforts to push for significant social or policy change and dismantle systems of oppression like racism.
- Wealthy individuals give a smaller proportion of their income to charity than middle-class and working-class

households.
- Our tax laws regarding charity benefit the wealthy more than middle-class and working-class families. <u>Only the most wealthy are able to receive the tax deduction promised by many charitable organizations for their gifts</u>. Individuals that do not itemize their expenses on their annual tax returns – which are the majority of those in the United States – receive no benefit from their charitable gifts.

Discussion Questions:

- Should we just give up on philanthropy as a way to address social problems?
- With so much attention to the social issues many communities continue to face, why have these inequities in charitable giving and beneficiaries been allowed to persist?
- What might be some policy changes to encourage more charitable giving to those most in need?

- What are other options to ensure that those most in need are able to get the services they would benefit from?

7.

SOCIAL MOVEMENTS AND ADVOCACY

Learning Objectives

After reading this chapter, you should be able to:

- Read about the theories of social movements and advocacy.
- Understand the role of nonprofit organizations in social movements and advocacy.
- Practice advocacy skills.

One or more interactive elements has been excluded from this version of the text. You can view them online here:
https://opentext.uoregon.edu/intrononprofit/?p=106#oembed-1

7.1 Chapter Introduction

So far in this textbook you have learned about the service role of nonprofit organizations. You've also learned about the ways that nonprofits partner with government to deliver public goods. However, nonprofit organizations are also central players in movements for social and policy change. Sometimes they engage in policy change in **partnership with government** by serving on commissions, task forces and committees alongside public officials. Other times they are in **conflict** with government by engaging in efforts to change the status quo and improve public policy to solve social issues, protect the environment and improve human rights protections. Some of these efforts are part of larger **social movements**, which are often made up of many nonprofit organizations, businesses and community leaders.

As part of their advocacy efforts, nonprofits help to inform the

public about issues before policymakers and help to educate policymakers about issues facing communities. They also often represent historically marginalized communities before policymakers and identify potential policy solutions.

In this chapter, we will define advocacy and social movements, describe the roles of nonprofit organizations in engaging in these activities and efforts and learn about different advocacy tactics organizations and individuals can support to create change.

Activity

Brainstorm a list of all the ways that individuals

and organizations can speak up on community or policy issues. Identify organizations that engage in one or more of the activities you listed.

Image: "[Advocacy and Mobilization Workshop](#)" by [inclusivesecurity](#) is licensed under [CC BY 2.0](#).

7.2 Defining Advocacy

Simply put, **advocacy** is speaking or acting on the behalf of others."[1] It is an umbrella term that includes many different types of advocacy activities – some of which are regulated by the United States government, depending on the type of nonprofit an organization is.

7.3 How Nonprofits Advocate

According to Kelly Leroux and Mary Feeney[2], nonprofit

---

1. Kelly LeRoux and Mary K Feeney, *Nonprofit Organizations an Civil Society in the United States* (New York: Routledge, 2015).
2. LeRoux and Feeney.

organizations engage in several different roles in their advocacy:

- **Representation.** Nonprofits represent the interests of certain groups before policymakers. Sometimes, that can be taken literally by representing clients in courts through **litigation** or lawsuits. However, nonprofits often do this through direct **lobbying** – in Congress, state legislatures, or at the local level – or by presenting petitions or public testimony to decision makers. Through representation, nonprofit organizations help to raise community issues before policymakers and offer solutions for change.
- **Political Mobilization**. Nonprofit organizations help to mobilize the public. They might do this by organizing petition drives, encouraging people to vote or attend public hearings and rallies or by recruiting and training individuals to lobby their own legislators or do media outreach. Through political mobilization, nonprofit organizations help connect the public to their elected officials.
- **Education.** Nonprofits also have an important role in education around policy and political issues. They help inform the public about how their representatives vote on particular issues, and they help increase awareness around issues they are working on. Some nonprofits, such as **think tanks** like the Brookings Institution and

other organizations, may conduct their own policy research, researching problems and identifying potential policy solutions.

It's important to recognize that nonprofit organizations may engage in one or more of these roles simultaneously.

IRS Regulation of Advocacy

In Chapter 1, we discussed the different types of tax-exempt nonprofit organizations defined by the Internal Revenue Service (IRS). The type of nonprofit an organization chooses to become may have implications for what type of advocacy tactics that organization can get involved in. Specifically, the IRS regulates the role of nonprofits in **direct lobbying** and **electioneering** (campaigns for office) activities. Lobbying is defined by the IRS as "attempting to influence legislation. A 501(c)(3) charitable organization may engage in some lobbying, but too much lobbying activity risks loss of tax-exempt status." Note that the IRS doesn't define what "too much lobbying" is. This definition also doesn't include meeting with agency secretaries

(such as "lobbying" the Environmental Protection Agency). So, in short, **lobbying is ONLY about talking to a *legislator about legislation*** (a specific bill). On the other hand, 501(c)(4) social welfare and mutual benefit organizations, along with several other types of organizations, are allowed to engage in unlimited direct lobbying. 501(c)(3) charitable organizations also are not allowed to engage in any **electioneering** activities except for voter registration, get out the vote drives and a limited amount of voter education as long as it doesn't endorse a candidate.

501(c)(4) groups can engage in some electioneering, including **endorsing candidates** and giving money to other nonprofits such as [Political Action Committees](#) (PACs). Again, the IRS doesn't provide a threshold to determine what amount is "too much."

Because of the ambiguity of some of these rules around advocacy, some groups form **more than one nonprofit** in order to engage in different activities. For example, HRC (in our example above) has a 501(c)(3), a 501(c)(4) and a Political

Action Committee of its own (which allows them to give money directly to candidates for office). Although each of these organizations are legally autonomous, they often operate under a single mission and sometimes are supported by the same group of staff members.

As a nonprofit manager, it's important to know which type of nonprofit your organization is and what advocacy activities you are able to engage in.

Activity

[The Human Rights Campaign](#) is a national LGBTQ (lesbian, gay, bisexual, transgender and queer) advocacy organization.

Their mission is "to end discrimination against LGBTQ people and realize a world that achieves fundamental fairness and equality for all. HRC envisions a world where lesbian, gay, bisexual, transgender and queer people plus community members who use different language to describe identity are ensured equality and embraced as full members of society at home, at work and in every community."

Following a wave of anti-LGBTQ legislation introduced in state capitals across the country in 2022, HRC was not only working at the federal level in Washington, D.C., but was also helping to organize and represent the LGBTQ community nationwide, from Juneau, Alaska to Tallahassee, Florida.

Review HRC's website. Which role(s) do they play in advocacy? Refer to Leroux and Feeney's typology of **representation**, **mobilization** and **education**.

7.4 Advocacy Activities

Take a minute to think about all the ways that you or your friends and family have worked to "speak on behalf of a cause." Can you list some of them?

Organizations may use many different types of activities to advance their policy agenda or to stop legislation or laws they oppose. Below is just a sampling. Can you think of others?

- **Lobbying** – Lobbying is just one form of advocacy activity and one of the only ones that the IRS and some states try to regulate and monitor. Review the box on the IRS definition of advocacy for more information.
- **Litigation** – Many nonprofits file lawsuits against a local, state or federal government or agency, or sometimes even a corporation. Sometimes nonprofits will file suit in order to <u>enforce implementation</u> of a law or to <u>stop a law from taking effect</u>. They may also seek to <u>change the law</u> through judicial action.
- **Grassroots lobbying** – There are a lot of activities that fall under this category, including <u>lobby days</u>, <u>petition gatherings</u>, <u>phone banking</u> and <u>letter writing campaigns</u>. Through these activities, nonprofits help citizens communicate their opinions, values and beliefs with

lawmakers.

- **Raising awareness** – Nonprofits are often very active in educating the public about issues before decision makers. Activities that raise awareness may support grassroots lobbying, but they can also be used primarily to help sway public opinion or educate communities on particular issues. These types of tactics include <u>town hall meetings</u> or other types of community gatherings and events, <u>rallies and marches</u>, media outreach and engagement, newsletters or social media posts or dissemination of policy research.

- **Electoral activities** – Although electoral activities, like lobbying, are regulated by the IRS, nonprofits often are leading actors in candidate and ballot measure campaigns. They help <u>register voters, educate them on the issues and turn them out to vote</u>. Most nonprofits are also able to host nonpartisan <u>candidate forums [pdf]</u>, where all candidates for office are invited to share their positions on the issues facing the community. Some types of nonprofits are even able to <u>endorse candidates</u> and provide them campaign contributions or work on their behalf.

- **Direct Action and Civil Disobedience** – Sometimes using the above tactics isn't successful in winning the social or policy change that organizations seek. At other times, issues are too urgent to wait for Congress or a state legislature to act. And sometimes communities are

frustrated with the lack of action by decision makers. In these cases, nonprofit organizations may sponsor certain types of direct action activities. These activities are designed to generally raise awareness by disrupting public spaces, and may include [street blockades](), holding a [sit in]() at a local business or government office, [strikes](), [boycotts]() and [tree sitting](). The goals of these activities are usually to generate public attention and support through the media and also increase pressure on lawmakers to act quickly.

While some nonprofit organizations may focus on one advocacy technique, many organizations engage in several tactics, sometimes simultaneously. Nonprofit boards of directors and staff are tasked with identifying which tactics may be appropriate based on their mission and goals and their stakeholders' expectations.
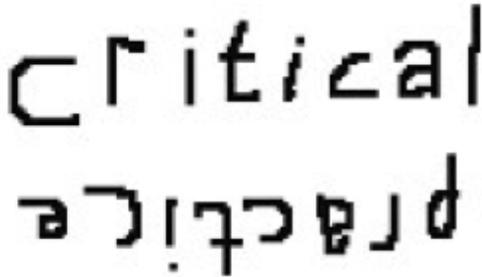
Activity

Your voice matters too! Think about an issue you are concerned about. Spend a few minutes researching the basic facts of the issue. Consider exploring the website of a nonprofit that is working on the issue you care about.

Then, write a short **letter to the editor** to your local newspaper.

Letters to the editor are usually only 100-250 words, under your own name, that summarize an issue, point out the relevant facts people should understand and often suggest a possible

solution or a different point of view. Review some examples at *The Washington Post* before you begin.

Image: "Newspapers" by Lydia licensed under a CC BY 2.0 license.

Can Nonprofits Solve Social Issues Through Advocacy?

Although many, if not most, nonprofits engage in some form of advocacy efforts on behalf of their organization or beneficiaries, community and members, there have been growing

demands for nonprofits to do more. This is particularly the case when nonprofits are hesitant to be adversarial with government for fear of jeopardizing their tax-exempt status, losing donor support or being perceived as too polarizing, "political" or partisan. Instead, these groups may seek to maintain a more neutral position when it comes to policy or social change, particularly when a topic is deemed controversial, such as racism, sexism, homophobia, income inequality, climate change, immigration, LGBTQ rights and others.

Some nonprofit activists and scholars are calling for the nonprofit and philanthropic sector to be more willing to stand together in an effort to dismantle the historical systems that are responsible for bias, discrimination and inequality. Others have called for the nonprofit sector itself to "do better" in creating just and equitable organizations. Read one or both of the articles found at the links in this paragraph and think about the following questions:

- What are the risks to nonprofit organizations if they appear "too political"

to some of their supporters? What are the benefits of appearing to stay neutral in policy battles?

- Should nonprofits consider *donor wishes* when thinking about advocating on behalf of their *beneficiaries*? How should managers balance the wishes of their different stakeholders?
- Should nonprofits, regardless of their mission, be involved in social or policy change? What if they only have limited resources to do so? Should they move money away from services to advocacy? Why or why not?

8.

SOCIAL ENTERPRISES AND ENTREPRENEURSHIP

Learning Objectives

After reading this chapter, you should be able to:

- Define how various scholars conceptualize social enterprises.
- Recognize the relative strengths and weaknesses of social enterprises in creating social value.
- Consider the role of social enterprises in a

global context.

Image: Japanese entrepreneurs at the dialogue with World Bank President Jim Yong Kim on solutions for scaling-up social enterprises. From left: Aiko Doden, Moderator – Senior Commentator NHK; Atsuyoshi Saisho, e-Education Project; Hiroko Samejima, Representative Director, andu amet. Photo: "World Bank Photo Collection" by Antony Tran / World Bank is licensed under CC BY-NC-ND 2.0.

8.1 Chapter Introduction

Social enterprises are a unique form of organization that have captured the imagination of scholars, nonprofit practitioners and entrepreneurs over the last few decades. Yet, they can be hard to define because they mix elements from the nonprofit and business sectors. In this chapter, we will attempt to develop a working definition of social enterprises and discuss their relative strengths and weaknesses compared to other forms of social value creation.

8.2 What are Social Enterprises?

Like so many other terms, **social enterprises** defy an easy definition. One reason is because a social enterprise can be any type of organization and can include a variety of different types of activities. One definition would be "the use of nongovernmental, market-based approaches to address social issues."[1]

---

1. Janelle A. Kerlin, "Social Enterprise in the United States and Europe: Understanding and Learning from the Differences," *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 17, no. 3 (September 28, 2006): 247, https://doi.org/10.1007/s11266-006-9016-2.

It's important to note that social enterprises can be for-profit, nonprofit or even public organizations. Although each of these forms may have different ways to generate revenue (grants for nonprofits versus investors for businesses), and would include different forms of organizational governance and accountability, what distinguishes them as enterprises is that they use market mechanisms for social good.

Because of this blending and blurring of for-profit and nonprofit organizations in structure, organizational form and vision, social enterprises are often considered to be **hybrid organizations.**[2]

Activity

Take a few moments to review the two social enterprises below.

Homeboy Industries, based in Los Angeles, has a mission to provide "hope, training, and support to formerly gang-involved and previously incarcerated people, allowing them to redirect

---

2. Julie Battilana et al., "In Search of the Hybrid Ideal," *Stanford Social Innovation Review*, 2012, https://ssir.org/articles/entry/in_search_of_the_hybrid_ideal.

their lives and become contributing members of our community."

BioLite is a "social enterprise that develops, manufactures, and distributes advanced clean energy technologies to off-grid households around the world."

Discussion Questions:

- One is a for-profit and one is a non-profit. How can you tell? Does it matter?
- Based on the below table in this chapter, how would you categorize their activities? What type of social enterprise is each organization?

8.3 What is Social Entrepreneurship?

The study of entrepreneurship in the United States dates back to the beginning of the study of businesses – the early 20th century. An **entrepreneur** is someone who "combines existing

resources in new and interesting ways."[3] Entrepreneurs are often founders of their own businesses, and as such, assume all the risks and rewards that may come with that. Entrepreneurship is also often linked to the introduction of new products and services.[4]

Social entrepreneurs, on the other hand, are similar in many ways to traditional business entrepreneurs. However, their goal is to create social value as well as, or instead of, profit.[5] **Social value** is a contribution to the welfare or well-being of society.[6] Their motive may be not only to make money for themselves or their investors, but also to do good.

Social enterprises can be defined as **an activity** of the social

3. Joseph A. Schumpeter, *The Theory of Economic Development* (Cambridge, MA: Harvard University Press, 1934).

4. Rachel Lee Gross, "What Is an Entrepreneur?," *The Balance* (blog), December 30, 2021, https://www.thebalance.com/what-is-an-entrepreneur-5187721.

5. Helmut K. Anheier, *Nonprofit Organizations: Theory, Management, Policy*, 2nd ed. (New York: Routledge, 2014), http://books.google.com/books?hl=en&lr=&id=FCpc6YdSAT0C&oi=fnd&pg=PP1&dq="edition published in the Taylor and Francis e-Library," "purchase your own copy of this or any of Taylor & Francis or" "2005 Helmut K." "known or hereafter invented, including photocopying and" &ots=XwI7vdB88A&sig=SK_snvwMXOI0aEPXu2Kj0Q3O73U.

6. Ana María Peredo and Murdith McLean, "Social Entrepreneurship: A Critical Review of the Concept," *Journal of World Business* 41, no. 1 (February 1, 2006): 56–65, https://doi.org/10.1016/j.jwb.2005.10.007.

entrepreneur, as they design and develop a nonprofit or business venture that will benefit others.

8.4 Activities of Social Enterprises

Like nonprofit organizations, social enterprises are often involved in a variety of activities.

- **Commercial activities:** Many social enterprises sell goods and services to help fund their social mission. For example, for every pair of socks that [Bombas](#) sells, they contribute one pair of socks to unhoused individuals. [Hot Bread Kitchen](#), on the other hand, helps train immigrant women to bake and sell bread, a profession most often held by men in the United States and Europe, but women elsewhere in the world. Yet, this definition of buying and selling goods and services can also be broadly defined and even include more "traditional" types of nonprofits like [Goodwill](#) or the [Salvation Army](#).
- **Corporate philanthropy:** For-profit businesses may engage in activities that help advance social missions. Probably one of the best examples is Ben and Jerry's Ice Cream and their [Foundation](#), which takes a proportion of their profits and redistributes it to the community in

the form of grants.

- **Microfinance:** Related to commercial activities, microfinance organizations are unique in that they provide financial services (most often loans) to individuals living in poverty around the world. These loans, sometimes just a few dollars, are provided with the goal to help lift a person out of poverty. Groups like [Grameen Bank](#) and [Kiva](#) are examples of microfinance organizations.

Perhaps another way to think about how to categorize social enterprises is by **how they raise money** compared to **how they distribute money to the community**.

In the table below, enterprises have been broken into categories based on "who pays" and "who benefits" from the social mission of the organization.

Model	Examples of Enterprises
Customer is the beneficiary	Grameen Bank, Kiva
Customer pays for the beneficiary (aka cross-subsidy)	TOMS Shoes, Warby Parker, Ben & Jerry's
Customer buys from the company employing beneficiary	Homeboy Industries, Hot Bread Kitchen
Customer buys from company supplied by beneficiary	Fair Trade Coffee

Adapted from Ebrahim et al.[7]

Ultimately, **social mission organizations** can be conceptualized as any form of organization (nonprofit, business or government) that seeks to create social value or meet social needs or problems.[8]

8.5 Social Enterprises vs. Corporate Social Responsibility

You may have read the above section wondering what the difference is between social enterprises and companies that engage in a **corporate social responsibility** (CSR) program, such as promoting a living wage, changing products to be more environmentally friendly or providing grants to the community. The past several decades have also seen a rise in CSR efforts to meet societal expectations and demands about

---

7. Alnoor Ebrahim, Julie Battilana, and Johanna Mair, "The Governance of Social Enterprises: Mission Drift and Accountability Challenges in Hybrid Organizations," *Research in Organizational Behavior* 34 (2014): 81–100, https://doi.org/10.1016/j.riob.2014.09.001.

8. Björn Schmitz, "Social Entrepreneurship, Social Innovation, and Social Mission Organizations: Toward a Conceptualization," 2015, https://doi.org/10.4135/9781483398082.N4.

ethical corporate behavior and greater social responsibility.[9] So what is the difference?

While traditional corporations engaging in corporate social responsibility still have **profit maximization and shareholder value** at their core, many social enterprises have simultaneous goals of profit and increased social value. Although this line can sometimes be blurred, one of the main ways that these ventures differentiate themselves as social enterprises is through new organizational forms like benefit corporations, which we discuss in the next section.

8.6 Benefit Corporations and "B-Corps"

Looking at traditional business models, some entrepreneurs and business leaders have wanted to do more and form a social enterprise. Some states in the U.S. have started to recognize for-profit social enterprises as distinct from other for-profit businesses – and define them as **benefit corporations**. (It's important to note that **nonprofit social enterprises** are still

9. Suntae Kim and Todd Schifeling, "Good Corp, Bad Corp, and the Rise of B Corps: How Market Incumbents' Diverse Responses Reinvigorate Challengers," *Administrative Science Quarterly*, April 15, 2022, 00018392221091734, https://doi.org/10.1177/00018392221091734.

generally regulated as nonprofits, but may be required to file additional financial filings and even pay some taxes depending on their activities and state and federal law.)

One way that states recognize benefit corporations is by certification through third party organizations like B-Lab (see the box below). To become certified, enterprises go through an organizational audit to ensure that they are meeting the bar for creating "social value."

Certified

(B)

Corporation

B Lab, an international benefit corporation certification organization, is a "nonprofit network transforming the global economy to benefit all people, communities, and the planet." They are one of a few organizations that can provide benefit corporation certification to businesses.

*One or more interactive elements has been excluded from this version of the text. You can view them online here:* https://opentext.uoregon.edu/intrononprofit/?p=113#oembed-1

[Watch the video](#) above and explore B-Lab's [website](#). Then, think about the following questions:

1. How are "B-Corps" different from typical businesses?
2. Are benefit corporations and more traditional corporate social responsibility programs different or the same? Why?
3. What might be some differences between benefit corporations and social enterprises. Are they the same?

The benefits of registering as a benefit corporation include less pressure from investors to maintain **high profits** at the

expense of paying a living wage, protecting the environment, sourcing more sustainable products or giving back to the community. Benefit corporations are also able to promote themselves as having met the certification standards, giving consumers the opportunity to choose a business that is also working to create social good.
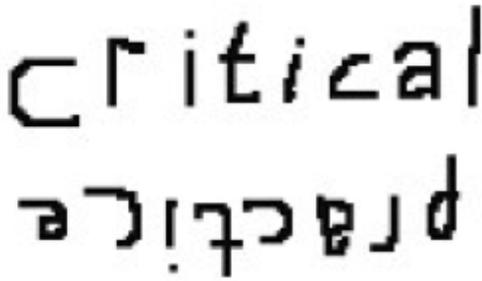
critical practice

Social Enterprises are Not Social Justice?

Social enterprises have caught the world's attention over the past several decades by offering exciting and innovative solutions for change. However, some have argued that social enterprises and entrepreneurships aren't adequate to lead social change broadly speaking

– the kind of systems change in politics and power that is needed to reduce or eliminate social and economic inequality and discrimination or to respond to climate change, just to name two.

Read the article [Social Enterprise is Not Social Change](#) by Ganz, Kay and Spicer and discuss the following questions:

- The authors argue that solving social problems requires vigorous public debate and democratic processes. Are social enterprises compatible with that, or do they try to circumvent those institutions?
- Do social enterprises have an obligation to engage in these debates? Or is their obligation to stay focused on their enterprise?
- If not social enterprises, who or what else should advocate for social change?

9.

INTERNATIONAL ORGANIZATIONS

Learning Objectives

After reading this chapter, you should be able to:

- Understand the scope of the international nonprofit sector.
- Define the roles of international nonprofit/ nongovernmental organizations.
- Discuss the unique ethical concerns facing international nonprofits.

9.1 Chapter Introduction

Much of this book has been focused on the nonprofit sector in the United States – although much of the content can be applied or adapted to international organizations as well. However, this chapter will look outside the borders of the United States and explore the diversity of nonprofit organizations that are active internationally. Many of these groups are registered in the United States (or another "western" country) as nonprofit organizations, but many others are founded and registered in the countries in which they work.

In an international context, nonprofits are often called **NGOs**, or **nongovernmental organizations,** signifying their roles as independent of both the state (government) and market sectors, much like nonprofits in the United States. They can be very large, multi-billion dollar organizations that work across multiple countries or small **community-based organizations (CBOs)** that work only in a single community or region.

A word on vocabulary:

When discussing the work of nonprofit organizations internationally, it is easy to fall into using language that can perpetuate stereotypes in the "developing world." I prefer to use the phrase **low-income countries** to describe nations that struggle with poverty and inequality. There are historical reasons why these countries struggle with economic and political development – reasons that have often been outside their control, including colonialism.

If you'd like to read more about this issue, here is a good source for some background on these

terms from the [World Bank](#), as well as a [strong argument](#) for updating our vocabulary, published by [NPR](#) (National Public Radio).

*Image: "[Bound Together Bookstore * San Francisco Sessions 2001 *](#)" by [Sterneck](#) is licensed under [CC BY-NC-SA 2.0](#).*

9.2 INGOs Versus NGOs

Similar to nonprofit organizations in the United States, the types of nongovernmental organizations globally are diverse, although internationally many groups work on humanitarian aid, economic development, environmental protection or human rights. **International NGOs (INGOs)**[1] are groups that work across borders – sometimes by working in more than one country, sometimes because they raise money in one country (such as the United States) and spend that money in another country. One example of an INGO is [CARE](#)

---

1. Stephen Commins, "INGOs," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York, NY: Springer US, 2010), 858–64, https://doi.org/10.1007/978-0-387-93996-4_556.

International, an organization founded after World War II. This group now works in more than a dozen countries around the world providing humanitarian relief, economic development and working towards social justice.

Watch the video of CARE International UK in Mozambique as they assist in the humanitarian response to a hurricane in 2019.

One or more interactive elements has been excluded from this version of the text. You can view them online here:
https://opentext.uoregon.edu/ intrononprofit/?p=116#oembed-1

NGOs, on the other hand, are organizations that work, raise money and are headquartered in a single country. Equitable Cambodia is an example of an NGO, based in Cambodia, working for peasants rights and social justice causes.

Although INGOs and NGOs are often used interchangeably to describe nonprofit organizations around the world, it's worthwhile to distinguish them as either those who work

across borders (INGOs) or those that are based and work in a single country (NGOs).

Because the registration of NGOs is different from country to country, it is very difficult to get a handle on how many NGOs and INGOs are active around the world. One recent estimate suggested there are at least **75,000 International NGOs**, and on a country-by-country level NGOs can run in the millions. In 2009, it was estimated that India had over three *million* NGOs, while China has an estimated 460,000 registered NGOs.[2] Tracking employment in the INGO and NGO sector is also difficult, but it's clear millions of people are actively working as either volunteers or staff for INGOs and NGOs globally.

9.3 Theories of International NGOs

Like the nonprofit sector more broadly, NGO and International NGO formation can be defined by the same theories we discussed in [Chapter 2](). That is, they are impacted by **market** and **government failure**, **contract failure** and

---

2. David Lewis, Nazneen Kanji, and Nuno S. Themudo, *Non-Governmental Organizations and Development*, 2nd ed. (London: Routledge, 2020), https://doi.org/10.4324/9780429434518.

voluntary failure. However, in many lower-income countries, the scale of government failure can be more significant than it is in the United States or other wealthier nations, as communities struggle to provide basic needs like clean water, sanitation, schools or hospitals.

Social Origins Theory[3] is another helpful theory to use to compare the nonprofit sectors across countries. This theory suggests that the shape of the nonprofit or NGO sector in each country has been defined by the historical, social, political and legal contexts of that nation. For example, a country that provides a stronger social safety net for its population may offer less of those types of NGOs than a country that has no social safety net whatsoever for its poor population.

9.4 What INGOs and NGOs Do

NGOs play a variety of roles in development, humanitarian and social justice work. Lewis[4] describes three primary roles: implementer, catalyst and partner. These terms are not

---

3. Lester M. Salamon and Helmut K. Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally," *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 9, no. 3 (1998): 213–48, https://doi.org/10.1023/A:1022058200985.

4. David Lewis, *Non-Governmental Organizations, Management and Development* (Routledge, 2014).

mutually exclusive, and organizations can engage in more than one role at any given time.

- **Implementer** organizations gather and distribute goods and services to those in need. This covers a wide swath of organizations engaged in humanitarian aid responding to disasters, groups that are contracted by governments to provide particular services or those that grant charitable dollars to other organizations.
- **Catalyst** organizations seek to bring about social or political change. Change can be focused on helping to empower local communities or bringing about change with government, with businesses or among funders.
- **Partner** organizations work in collaboration with other organizations, including government or other NGOs. This role recognizes that NGOs are rarely acting in a vacuum.

Above you watched a short video about the work of CARE International UK in responding to a humanitarian crisis. Take a few minutes to reflect on the video and review [their website](#).

- Would you consider CARE to be an implementer, catalyst or partner in the work that they do? Why?

9.5 The Management of INGOs

One way to think about the management of INGOs is that "the global is local." That is, effective NGO managers must recognize the political, social, cultural, technological and economic context in which they are working as well as understand the management skills needed to run an organization. Below is one way to consider the different dimensions of INGO management.

Political Factors (P)

Key Question: What aspect of a country's political and legal environment could be beneficial or detrimental to our mission, strategy and operations?

Economic Factors (E)

Key Questions: What aspects of the economic environment will enable or constrain our work? What micro and macro economic factors do we need to consider?

Socio-Cultural Factors (S)

Key Questions: How will the society, its traditions and culture affect our mission, strategy and operations? How is the host country's socio-cultural landscape different from ours?

Technological Factors (T)

Key Questions: How is the country's technological environment going to affect our mission, strategy and operations? What innovations are available/unavailable?

Adapted from Aguilar, Francis J. (1967) "Scanning the Business Environment". Macmillan.

- **The political environment** – INGO leaders need to be conscious of the different political structures and regimes that are active in the country in which the organization is working. Take, for example, Gaza Sky Geeks in occupied Palestine. This organization does its

work to enable STEM education and entrepreneurship in one of the most politically contested areas of the world and has to negotiate with both the Palestinian Authority and the government of Israel. Their work in the region relies upon managing the political context successfully.

- Additionally, INGO managers should pay attention to local politics, as many lower-income countries struggle with political instability that can lead to changes in the country's leadership, civil unrest or even violence.

- **Economic Issues** – INGOs need to be conscious of the economy of the country in which they are working. If they are raising money in the U.S., they may need to consider the volatility of exchange rates, the average wage of the country's population and the cost of operations there. For example, [Argentina](#) has struggled with high inflation rates for the past several decades, leaving the U.S. dollar more powerful, but making basic needs much more expensive for the communities that organizations may work with. This may also impact the economic security of the staff you employee in the country.

- **Socio-Cultural Issues** – [Different people around the world approach problems differently](#) and have different communication styles, gender norms, religious beliefs, social needs and ideologies. Cultural awareness must also take into account how relationships, networks and trust

are manifested among different groups of people. Someone who is not from a particular country may not only experience culture shock, but may also struggle to implement plans and goals that are not seen as relevant or appropriate culturally.

- **Technological Issues** – Many lower-income countries without a solid infrastructure may struggle to offer their citizens consistent electricity, telephone service or internet access. The population may have little to no access to consumer banking as well. Some INGOs seek to focus on these infrastructure issues.

Activity: So You Have an Idea

Looking at the problems facing the world, particularly in low-income countries, it's easy to think you have struck on an idea that can make a difference. Yet, there are thousands of failed projects scattered around the world. Why does this happen? What can you do to avoid similar pitfalls?

Watch this video and then discuss the following questions:

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://opentext.uoregon.edu/intrononprofit/?p=116#oembed-2

- Do you think that "aid has failed?"
- What are key lessons that aid and development workers should consider?
- (Feel free to review Engineers Without Borders website: https://www.ewb-usa.org/)

9.6 Ethical Considerations of INGOs

INGOs may seem like saviors or heroes, addressing key needs of communities around the world; however, some scholars and practitioners have criticized INGOs for enabling an unequal status quo. Rather than being advocates for changes to political and economic systems that prevent community empowerment and participation, they simply add a salve to deeply rooted inequities and injustices.[5]

It's important to reflect on some of the more controversial aspects of INGO work around the world. At a minimum, INGO employees, volunteers and donors should recognize these tensions and seek to mitigate the challenges these critiques provide.

- **North-South Tensions** — Most wealthy countries are in the northern or western hemispheres, while most middle and low income countries are in the southern

---

5. Jennifer Alexander and Kandyce Fernandez, "The Impact of Neoliberalism on Civil Society and Nonprofit Advocacy," *Nonprofit Policy Forum* 12, no. 2 (July 1, 2021): 367–94, https://doi.org/10.1515/npf-2020-0016.

hemisphere. It's also the case that most southern countries have been colonized by northern powers at some point over the last five centuries. These facts lead to what some scholars call **North-South Tensions.**[6]

Watch this video for a short primer on this topic: (note this video uses the first world vs. third world language)

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://opentext.uoregon.edu/intrononprofit/?p=116#oembed-3

Since northern nations generally fund humanitarian and development efforts in the global south, this can lead to tensions around power and control, particularly

---

6. Darcy Ashman, "Strengthening North-South Partnerships for Sustainable Development," *Nonprofit and Voluntary Sector Quarterly* 30, no. 1 (March 1, 2001): 74–98, https://doi.org/10.1177/0899764001301004.

over decision-making about where and how the money is spent. Some leaders may resent foreign intervention in their country. As one southern NGO leader stated, *"We have come to regard western NGOs as 'international' and the rest of the world as 'local'. When so-called 'northern NGOs' engage with 'southern actors' it's rarely a partnership, it's more of a sub-contract."*[7]

- **Lack of cultural competency** – Until relatively recently, many INGOs were staffed by Americans, Europeans or others from higher-income countries. This not only created power imbalances, but also led to organizations employing staff that had very little cultural or practical expertise in the country they were working in. This has started to shift over the past two decades with an increasing number of INGOs hiring most of their international staff from the countries where the organization is working.[8] Some organizations are even starting to move their global headquarters to southern cities, such as <u>Oxfam International's</u> recent move to Nairobi.[9] The benefit of this approach is to help

7. Louise Redvers, "NGOs: Bridging the North-South Divide - World | ReliefWeb," reliefweb, June 8, 2015, https://reliefweb.int/report/world/ngos-bridging-north-south-divide.

8. Donna Bryson, "Diversifying NGO Leadership (SSIR)," 2013, https://ssir.org/articles/entry/diversifying_ngo_leadership.

organizations offer solutions more attuned to local needs. However, diversification can lead to new challenges, including cultural and language barriers between "northern" and "southern" staff, strategic decision-making in multiple contexts, staff from multiple countries working cross-culturally and inequity regarding pay.

- **Paternalism** – International NGOs have also been criticized for being paternalistic, believing they know what's right for the communities they are serving without any feedback or input from the local population. This is related to the idea of **white savior complex**, which is where a white person, motivated by a sense of superiority, seeks to help or rescue people of color or members of their community.[10] In other words, it's when a white (or "northern") person feels that they somehow inherently have the skills, knowledge or expertise to know a better solution to a problem than the people who have been impacted by the problem. While this can be a problem in the nonprofit sector in the U.S.,

9. Sebastian Forsch, "Moving to the Global South: An Analysis of the Relocation of International Ngo Secretariats," *St Antony's International Review* 13, no. 2 (February 28, 2018): 159–86.

10. Murphy, "White Savior Complex Is a Harmful Approach to Providing Help—Here's Why," Health, September 20, 2021, https://www.health.com/mind-body/health-diversity-inclusion/white-savior-complex.

it is exacerbated in the global south when Americans, or other staff members or volunteers, travel to there on behalf of an organization that funds a project. This can lead to significant power imbalances, discrimination and bias in decision-making about the project, which can lead to project failure or even do real harm to the community.

critical practice

International Volunteering

Prior to the Covid-19 pandemic, up to a million Americans travelled abroad every year to volunteer with International NGOs, faith-based groups and local communities. This type of volunteering is sometimes called **voluntourism** – as these opportunities often promise authentic

cultural exchange within an immersive experience. There are even organizations that will help arrange various voluntourism opportunities for you, for a fee!

Yet, others caution those who may want to travel abroad to volunteer or work. To these scholars, practitioners and community leaders, voluntourists are really the ones benefiting, not the communities being served.

Read this article and watch the below videos. Then, reflect on the provided questions.

Videos:

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://opentext.uoregon.edu/ intrononprofit/?p=116#oembed-4

One or more interactive elements has been excluded from this version of the text. You can view them online here:
https://opentext.uoregon.edu/intrononprofit/?p=116#oembed-5

- Who is really benefiting when you volunteer abroad? What benefits might you gain? What about the community you worked with?
- What do you think of voluntourism as "social currency?"
- How can organizations that work with international volunteers leverage the energy and passion of their visitors to also best serve their communities?