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Human Services in a Market Economy:

Implications of Program Fee Reliance among Nonprofit Human Service Organizations

A dissertation submitted in partial satisfaction of the

requirements for the degree Doctor of Philosophy

in Social Welfare

by

David Howard

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ABSTRACT OF THE DISSERTATION

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Nonprofit human service organizations (NHSOs) play an integral role in a broader social service infrastructure that, along with government and for-profit agencies, provides basic needs, mental health and substance abuse treatment, child care, and numerous other forms of assistance to a variety of client and community populations. Over the past 30 years, the nonprofit human service sector has undergone a transformation characterized by an increased reliance on commercial revenue—from client fees, product sales, business ventures, and other earned income.

Though scholars have explored the potential benefits and downsides of commercialization since the 1980s, much of the research has relied solely on qualitative explorations and case studies; quantitative empirical investigations have been scarce and limited in scope. There is a need to further explore the extent to which this phenomenon is taking place and how these trends impact the ability of service providers to fulfill their charitable obligations.

The purpose of this study is to examine the influence of reliance on program fees from private sources—one form of commercial income—on a variety of organizational characteristics among NHSOs. From the perspectives of resource dependence theory and institutional logics, I posit the following research questions: (1) What differences exist, if any, between fee-reliant NHSOs and those funded more heavily by government and individual donations?; and (2) In what ways, if any, does reliance on program fees and charges affect the organizational characteristics of NHSOs?

Based on survey data from a stratified random sample of NHSOs in Los Angeles County (n=639), key findings from a series of logistic regression analyses indicate that as NHSOs rely more heavily on program fees and charges, they are less likely to: (a) serve non-white clients; (b) offer non-English language services; and (c) rely on volunteers. In addition, program fees and charges predict a higher probability of engaging in competition with for-profit providers. Results suggest that if organizations are forced to rely more heavily on a fee-paying clientele, some marginalized populations may need to seek services elsewhere. Ultimately, however, findings only modestly support concerns about potential negative impacts of commercialization on the nonprofit human service sector.

The dissertation of David Howard is approved.

Yeheskel (Zeke) Hasenfeld

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2013

For my mother,

Sondra Lee Howard

1951 – 1989

~

and my grandfather,

Donald Stevenson Howard

1902 – 1982

~

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"I've been thinking. This year, instead of giving everything away, why don't we charge a little something?"

Source: The New Yorker Digital Edition: Dec 7, 1963, p. 55

CHAPTER ONE: INTRODUCTION

Nonprofit human service organizations (NHSOs) play a critical role in the broader provision of social services in the United States. Along with government agencies and—to a lesser extent—for-profit companies, NHSOs provide emergency food, shelter and housing, mental health and substance abuse treatment, job training and workforce development services, child care, and numerous other forms of assistance to a variety of client and community populations. In 2010, there were nearly 300,000 NHSOs registered with the Internal Revenue Service (IRS) nationwide.[1] NHSOs spend over $191 billion a year in the U.S. to provide resources and programs, and represent one-third of all organizations—the largest proportion of charitable nonprofits—who file an annual tax exemption form with the IRS.[2]

Human service organizations rely on diverse revenue sources—including government grants and contracts, individual donations, private foundation and corporate giving, and commercial revenue (or earned income)—to sustain their programs and services. Program fees and charges, a subset of commercial revenue, provide the focal point for this study, as over time fees and other forms of commercial income have become increasingly important—and controversial—in the realm of nonprofit human services.

Over the past 30 years, the human service sector has undergone a notable transformation due to major changes in the political, institutional, and economic environment in which human service organizations operate. As government's role in the funding and provision of social

[1] Nonprofit registration data are pulled from the 11/2010 IRS Business Master File (BMF), available through the National Center for Charitable Statistics (NCCS). NCCS is a national clearinghouse of data on the nonprofit sector in the United States. For more information on NCCS, see Chapter Four.

[2] The nonprofit expenditure data are pulled from the 2010 IRS Core File, available through NCCS. It should be noted that data represent 501(c)(3) public charities that file a Form 990—as opposed to a broader universe of nonprofits that are registered with the IRS (see Footnote 1), but do not necessarily have assets, expenditures, staff, etc.

services has changed, some hold the view that the guiding institutional logic—the dominant organizing principles that structure organizational behavior—of the social service sector has shifted from one of "care and equal access" to a logic of "the market and personal responsibility" (Hasenfeld, 2010). This change in logics has emerged in tandem with an increased reliance on commercial income (particularly revenue from client fees, but also earned income from product sales and business ventures) among NHSOs.

When examining the overall growth of the nonprofit sector in the last quarter century, the biggest explanation for growth has been a widespread increase in fee-for-service revenue. According to Salamon (2002), fees and charges accounted for nearly half (47%) of the growth in the nonprofit sector between 1977-1997—more than any other source. Increased reliance on fees has been even more pronounced among NHSOs, where 69% of revenue growth in this period came from fees, 22% from government support, and 9% from private giving (Salamon, 1999a). Human service organizations experienced nearly a six-fold (587%) increase in fee income between 1977 and 1997, the largest percentage change among all nonprofit subsectors. Between 1992 and 2005, revenue from private payments increased 131% among NHSOs, the highest increase in this revenue category among all nonprofit subfields (Wing, Pollak, & Blackwood, 2009). In essence, for some nonprofits, clients and customers have replaced donors and government entities as the primary resource providers in the nonprofit sector.

Commercialization expanded in the early 1980s, when several key trends began to impact nonprofit organizations writ large. Direct government grant support for nonprofits waned, and federal social programs increasingly devolved to state and local governments. At the same time, government efforts to privatize many social service components led to new levels of competition for funding as the nonprofit human service sector experienced tremendous growth. With fewer government grant dollars available, organizations lost a key source of general operating funding and began to develop new income-generating strategies. Increased contracting out to nonprofits by government did create new opportunities for revenue generation, but placed new emphasis on project outcomes and deliverables, and also increased competition with for-profit providers.

Welfare reform legislation in the mid-1990s bolstered government efforts to further devolve assistance programs and social spending to states, allowing local governments to contract out many welfare services. By way of devolution and privatization, for-profit social service providers began to more frequently compete for government contracts and fee-paying clients, playing a more prominent role in service domains traditionally dominated by nonprofits. This trend has placed additional pressure on nonprofits to increase efficiency and become more business-like (i.e., adopt a market logic) in order to compete with for-profits for lucrative service contracts.

Multiple economic downturns, including the severe recession that began in late 2007, further eroded government's ability to support nonprofit activity. As service demands have increased with the struggling economy, nonprofits have been pressured to provide more services with fewer resources—prompting both renewed and newfound attention to nonprofit revenue-generating strategies and the need for organizational self-sufficiency. The concepts of social entrepreneurship and social enterprise—brought to the fore in the 1980s—gained further prominence in the late 1990s and early 2000s, and highlight the need for new nonprofit "business models." For-profit companies, too, have fueled commercialization by increasing their focusing on corporate social responsibility, cause-related marketing relationships, and related efforts (e.g., affinity credit card arrangements, etc.) to become more philanthropic and less profit-conscious.

These political and institutional trends have prevailed within a context of increased demand for nonprofit services. These trends include a shift in the labor market from a manufacturing-based to a service economy; the shrinking of the middle class (and correlated widening of the income gap); increasing costs of medical care coupled with diminished access to health coverage; more pervasive homelessness; continuing racial segregation; and increased poverty rates among children (Gronbjerg, 1993; Hasenfeld, 2010). In difficult economic times, direct government funding for nonprofits tends to erode, private contributions become stagnant, and demands for human services increase—factors that force NHSOs to do more with less.

As a result of these environmental changes, nonprofits have entered new service areas, adopting more business management strategies and experiencing increased competition and growing political scrutiny. The boundaries between and among the nonprofit, for-profit, and government sectors have become blurred, and in turn nonprofits have become highly integrated into the market economy. Nonprofit leaders have looked to commercial revenue in the belief that market-based income can be easier to develop and expand and more resilient than philanthropic funding.

This increase in commercial activity has been heralded by some as a necessary adaptive strategy—one that increases organizational sustainability and financial viability in a challenging resource environment. Others raise concerns about the potentially negative impact of commercialization on the evolution of the nonprofit sector and the sector's ability to promote the public good. Of particular concern are the implications that increased commercial activity and growing market pressures may have for the willingness and ability of nonprofits to serve those in greatest need (i.e., those low-income and historically disadvantaged populations unable to pay for services) and to perform a variety of important social functions such as advocacy, community organizing and empowerment, and research—functions that the market economy has traditionally undervalued.

While concerns about commercial activity abound, some point to the potential benefits of earned income generation amid an uncertain funding environment and increasing service demands. Commercial income, while often requiring intense resource investments, has the potential to provide unrestricted income that directly supports mission-related activities. Some suggest that commercial strategies help improve organizational resource allocation, as well as financial sustainability and overall accountability. Social enterprise models are touted as mechanisms that can help organizations pursue and fulfill their missions by acquiring the necessary resources to subsidize services. In fact, some argue that commercial activity promotes mission orientation, and does not typically cause organizations to stray from mission focus.

While the potential for benefits exist, clear tensions play out between the values undergirding nonprofit organizations—mission-driven public service, voluntarism, accessibility, collaboration, inclusiveness, and so forth—and the values of a private marketplace driven by profit, efficiency, and competition. This tension between "mission and market" (or "margin") impacts all segments of the nonprofit sector, including human services. Furthermore, the tension calls for critical discussion about the moral and legal implications of nonprofit commercial activity, issues of particular cogency for NHSOs, since this class of organizations engages in inherently moral work and serves as a vital conduit between populations in need and services that enhance or sustain quality of life.

From a legal standpoint, commercial activity continually provokes speculation as to whether nonprofits deserve tax exemption and other benefits—advantages increasingly deemed unfair by competitors as nonprofits look and act more like their for-profit counterparts. Amid new public debates about the justifications for charitable tax deductions and other preferential tax treatment bestowed on nonprofits, implications of commercial activity will undoubtedly influence this ongoing dialogue.

Purpose of the Study

The purpose of this study is to examine the influence of reliance on program fees and charges on a variety of organizational characteristics among NHSOs. This study relies on two helpful frameworks from organizational theory: resource dependence theory and institutional logics. Through a lens of the former, I seek to determine whether fee-reliant NHSOs differ from other NHSOs along a diverse continuum of organizational adaptive strategies (e.g., target population focus; collaborative and competitive tendencies; accountability and managerial tactics; etc.). Institutional logics are considered as I seek to determine whether market logic adoption influences fee-reliant NHSOs in terms of staff and board composition, reliance on volunteers, and other organizational facets.

This study expands on the quantitative work of Galaskiewicz and Bielefeld (1998), Garrow (2008), Gronbjerg (2001), Guo (2006), LeRoux (2005), Salamon (1995), Weisbrod (1998), and Young (1998), and aims to advance knowledge and awareness of how commercialization impacts NHSOs. I seek to gain new perspectives on the implications of NHSO involvement in commercial activities and to be better able to delineate between commercial NHSOs and those that rely more on government funding or private donations.

Research Questions

This study addresses the following general research questions:

(1) What differences, if any, exist between fee-reliant NHSOs and those funded more heavily by government and individual donations?; and

(2) In what ways, if any, does reliance on program fees and charges affect the organizational characteristics of NHSOs?

Significance of the Study

Though researchers have explored the issue of commercialization and fee-for-service since the 1980s, much of the literature offers purely theoretical insight or relies on illustrative case studies or qualitative explorations (see Beck, Lengnick-Hall, & Lengnick-Hall, 2008; Cooney, 2006; Emerson & Twersky, 1996; Gronbjerg, 1993; Shaw, Shaw, & Wilson, 2002; Skloot, 1988; Weisbrod, 1998; Young, 1998; Young, Jung, & Aranson, 2010; Young & Salamon, 2002). Quantitative empirical investigations have been scarce and limited in scope (Dart, 2004a; Guo, 2006; LeRoux, 2005). Few studies have empirically examined the differences between commercialized nonprofit human service providers and organizations that rely more heavily on government funding and donations (e.g., individual gifts, foundation and corporate grants, special events, bequests, etc.) (see Gronbjerg, 1990; Guo, 2006; Salamon, 1995).[3] Furthermore, studies that explore commercialization lump different forms of commercial income into one category, failing to recognize the varying degrees to which different forms of earned income impact organizations.

As the nation's economy slowly emerges from the most severe recession since the Great Depression, nonprofit organizations face renewed pressure to diversify funding and become more entrepreneurial. For instance, homeless shelters in Downtown Los Angeles' Skid Row, an

[3] For the purposes of this study, only nonprofit human service organizations are analyzed with respect to their reliance on income from fees and charges. Hospitals and institutions of higher education are not examined here, although these organizations rely heavily on such income.

area with one of the highest concentrations of shelters and street homelessness in the country, have for the first time begun to charge fees for meals and overnight stays—a trend being seen across the country (Hoag, 2011).

The concepts of social entrepreneurship and social enterprise continue to garner steady attention in both practice and academic settings. As a result of changes that have occurred in the political and institutional environments of NHSOs, practitioners, administrators, policymakers, researchers, and students alike stand to benefit from increasing what they know and understand about this trend and its potential consequences.

Implications

Developing a keener understanding of NHSO commercialization can have several implications for public policy, social work (and nonprofit management) education, and human service administration. This study aims to inform public policies that: (1) provide and ensure services for needy populations and (2) regulate nonprofit organizations, their tax-exempt status, and qualification for certain tax-subsidies—crucial sources of government support for nonprofits. These two interrelated arenas join to affect the balance of supply and demand in the nonprofit economy. Consider a case where policy initiatives simultaneously reduce benefits to poor people (by way of cuts to social spending or welfare programs) and strip tax advantages from the nonprofits that provide poor relief. This scenario in effect forces nonprofits to do more with less, placing considerable strain on resources and threatening organizational sustainability. Diminished public assistance to low-income populations has been widespread in recent years, as local governments have cut funding to a variety of service programs due to budget shortfalls. The current era of austerity has been characterized by renewed interest at all levels of government in curtailing nonprofit tax benefits, including tax-exemption and charitable deductions.

The explorations in this study will help inform a broader dialogue on commercialization and address more general questions about the impact of commercial activity. If commercial organizations are indeed distinct from their government and donative counterparts in terms of whom they serve, the composition of their respective leadership and staff, or their orientation toward other providers, what are the implications for NHSOs should commercial activity continue to expand? If nonprofits increasingly struggle to muster the resources to serve a non-paying clientele, choosing instead to target less economically disadvantaged populations, how might this influence government's response to more distressed populations? If resource scarcity continues in the nonprofit sector, and NHSOs cannot meet increased service demands, who will help meet the needs of society's poorest and most neglected populations? On the other hand, if commercial organizations fare better financially than their counterparts, does this then suggest that NHSOs should seek out commercial income? Even if there were financial rewards for generating earned income, concerns about the impact of commercial activity would undoubtedly persist.

The tax-exempt status generally bestowed on nonprofits helps them to sustain their critical services. But nonprofits have come under fire for exercising unfair advantages while competing with for-profit providers. Nonprofit hospitals, for instance, have received increasing scrutiny for their profit-making tendencies and inflated service costs—even to low-income patients (T. Chang & Jacobson, 2011; Eisenberg, 2012). Furthermore, commercial income calls into question the broader trust advantages that nonprofits tend to share over their for-profit counterparts. The reputation of nonprofits remains a critical component of sector-wide legitimacy—a status conferred by stakeholders in the external environment—and can have direct effects on resource acquisition. Nonprofits have been successful because they have built up reputation and trust, and some suggest commercial revenue may compromise those trust benefits. Others have found that organizations involved in commercial venturing reported a positive effect on reputation. In sum, commercialization has been viewed as a legitimator by some, and antithetical to legitimacy by others.

Studies that examine the impact of commercial income on other forms of support (e.g., private donations, government sources) have found mixed results. Some scholars claim that commercial income can potentially "crowd out" revenues from donations and grants; although others posit that donors will actually reward nonprofits that engage in entrepreneurial activities. The effect of commercialization could be negative—if donors perceive that earned income reduces the need for donations or that commercial activity will undermine the organizational mission—or positive if donors think that they are providing "seed money" for a self-sustaining venture or that their gifts are leveraged by earned income.

Identifying factors that are associated with or influenced by commercial activity will help inform social work and nonprofit management education practices. Since the 1980s, nonprofit management education—typically provided through schools of public administration, public policy, and management—has offered extensive curriculum on fundraising, fiscal management, public finance, and information technology—largely borrowed from methods used in for-profit settings (Hammack & Young, 1993a; Mirabella, 2007; Reisch, 2009; Rimer, 1987; Stein, 2004; Wish & Mirabella, 1998).

Social work programs may face increasing pressures to offer complementary coursework in order to address the increasing business acumen needed by NHSOs. As was the case during the 1980s, when organizations felt increased pressure to explore income from fees and profit-making activities, professional social work education could be viewed as less useful for nonprofit leadership positions than training in business and financial management, program evaluation, and cost-benefit analysis. Social work degree programs need to prepare practitioners to address the tensions between revenue generation and mission-orientation—issues that might challenge the field's ethical standards and principles. As the field has become more complex, managers need new strategies to cope with and adapt to changes in the environment.

Nonprofit organizations of all types have come under new pressure to be innovative in how they provide programs and services, including the use of commercial activity, business-like practices, and social enterprise ventures. As the Obama Administration has further legitimized the search for innovation (e.g., the Social Innovation Fund, "pay for success" contracts), the federal government has in effect legitimized nonprofit commercialization. Commercial and non-commercial organizations compete for legitimacy in a highly competitive resource environment. Growing social demands in underserved areas compound the debate around which nonprofit organizational form is optimal. And although empirical studies have explored this issue, further research is needed to identify more definitive distinctions between commercial and non-commercial nonprofits, and to better understand the implications of those distinctions.

CHAPTER TWO: REVIEW OF THE LITERATURE

The following literature review begins with a brief treatment of nonprofit organizations, followed by a more specific overview of the nonprofit human service sector—including key definitions and relevant organizational taxonomies. The resource and task environments for NHSOs are also discussed, with particular focus on how those environments have shifted in recent decades. Next, I introduce and define the concept of commercialization. An overview of the history of commercialization will discuss relevant trends, including a generally increased focus and reliance on earned income, as well as the potential downsides and benefits of commercialization with respect to a number of organizational characteristics among NHSOs.

The scholarly literature on the nonprofit sector has flourished since the 1970s, and subsequent explorations have produced a rich, multidisciplinary examination of numerous facets of nonprofit operation: leadership and management, theories of production, resource allocation, legal status, and service provision, to name a few. From 1973 to 1975, the Commission on Private Philanthropy and Public Needs, more commonly known as the Filer Commission (named for its chair, John H. Filer), produced the most detailed account of nonprofit organizations and philanthropy ever undertaken until then (Anheier, 2005; Filer, 2001). The report launched the modern field of nonprofit studies and sparked a robust research agenda.

Although the Filer report made several references to the relationship between nonprofits and government, the report made very little mention of commercial activity or the nonprofit sector's relationship with the market economy. In fact, the report refers to nonprofits in several places as distinctly "noncommercial." The report did, however, offer a warning to nonprofits, suggesting that tax-exempt organizations should be required to maintain “arms-length” business relationships with for-profit firms (Filer, 2001).

As a result of government privatization of services and greater governmental reliance on nonprofits for service provision in the 1970s and 1980s, the nonprofit human service sector garnered additional attention from researchers at that time. Privatization, most commonly supported by fiscal conservatives opposed to increased government spending, is based on the notion that competition in an unregulated free market will lead to higher efficiency and reduced costs (Ginsberg & Gibelman, 2009). Privatization continues to play a key role in government reform efforts, and has been an interrelated trend to commercialization.

Defining Nonprofit

Nonprofit organizations provide a range of public goods and benefits, including those related to human services, health, education, arts and culture, science and technology, the environment, and many others. In fact, the nonprofit “sector” encompasses such a heterogeneous mix of organizations (varied by subfield, size, age, funding sources, etc.) that some have urged caution when combining all nonprofits into one aggregate category (Frumkin, 2002a). The diversity of nonprofits, even the differences that exist within major categories, provides meaningful context for this study.

From a legal standpoint, nonprofit organizations in the U.S. are defined and regulated primarily under state and federal tax codes. Nonprofits that provide educational, religious, scientific, literary, poverty relief, and other exempt activities for the public benefit are eligible to apply for charitable status under section 501(c)(3) of the federal tax code (Borris, 1999). The IRS defines a 501(c)(3) nonprofit as “an organization [that] must be organized and operated exclusively for exempt purposes set forth in section 501(c), and none of its earnings may inure to any private shareholder or individual" (IRS, 2009). The latter point refers to the "nondistribution constraint," which I will revisit later.

These organizations are able to receive tax-deductible contributions from individuals, private foundations, corporations, and other institutional funders. Nonprofit organizations under 501(c)(3) break down into two categories: public charities and private foundations. In terms of examining organizational behavior, this study focuses solely on the former, although resource provision from the latter is not overlooked.[4]

In addition to more concrete service delivery, nonprofits also help to foster community engagement and civic participation, make quality of life improvements, and preserve civic and religious values (Boris, 1999). Nonprofits have been credited with helping to develop an associational culture in the U.S., building networks of trust, generating social capital, and promoting democracy (Boris, 1999; Putnam, 1993; Walzer, 1991). Because they have been established for various acceptable public purposes and do not distribute profits, nonprofits are exempt from property taxes, sales taxes, and state corporate income taxes (Boris, 1999; Galaskiewicz & Bielefeld, 2003). The issue of tax-exemption is pertinent for it carries implications for public tax revenues (an increasingly discussed topic among local governments, particularly in light of the recent economic downturn) and competitive advantages over for-profit companies (Dees, 1999; Tuckman & Chang, 2006).

[4] Private foundations, although technically nonprofit organizations, function very differently from public charities and submit to additional regulations. Private foundations typically perform grantmaking functions to support the work of public charities and use investment income to fund their operations. In fact, private foundations are required to issue grants that total at least 5% of their assets each year. These institutions typically do not offer programs or services directly, although they may engage in research or advocacy activities.

The distinguishing characteristic that separates nonprofit organizations from for-profit firms is the so-called nondistribution constraint whereby limits are placed on how surplus revenue—or profits—can be used. This constraint, one of the bases for tax-exemption, stipulates that those who govern and manage the organization, such as senior executives and the board of directors, cannot reap nor bestow monetary gains in the form of profit distribution or excessive compensation. Instead, nonprofits are required to reinvest their resources in programs that aid "beneficiary stakeholders" by way of transparent transactions of goods or services. Even in cases where nonprofits "close their doors"—through mergers, bankruptcy, etc.—they must pass along any remaining assets on to an existing nonprofit (Galaskiewicz & Bielefeld, 2003). The nondistribution constraint reduces the risk for stakeholders that their money will simply be pocketed by the organization's leaders rather than supporting the intended purpose (Ben-Ner & Gui, 2003).

The nondistribution constraint does not preempt nonprofits from earning a profit (i.e., revenues that exceed expenses in a given time frame). In this sense, the term "nonprofit" is somewhat of a misnomer.[5] The term "not-for-profit," a less commonly used term in the literature, provides perhaps the most accurate description, although arguably some nonprofit activities are in fact "for profit." Surplus funds for nonprofits may be spent on providing new services, growing an endowment, upgrading staff salaries, constructing new buildings, or other capacity investments (Ginsberg & Gibelman, 2009).

Unlike public agencies and for-profits, nonprofits do not have one primary ownership or stakeholder group. While government agencies are held accountable by taxpayers and for-profits

[5] Although the nomenclature in this study will remain relatively consistent, historically used references to nonprofits include: not-for-profit, nongovernmental, civil society organizations, third sector organizations, voluntary associations, charitable organizations, independent sector organizations, social sector organizations, nonproprietary organizations, and the commons (Boris, 1999; Frumkin, 2002a; LeRoux, 2005).

by shareholders, nonprofits serve numerous diverse stakeholders, including donors, clients, board members, volunteers, staff members, and elected officials, among others (Frumkin, 2002a). Furthermore, depending on the type of revenue an organization relies upon, certain stakeholder groups may become more important to the organization than others. Nonprofit organizations are also required to form a board of directors (or board of trustees), a governing body that assumes fiduciary responsibility for the organization and is tasked with ensuring that the organization adheres to its mission and upholds ethical and financial integrity (Anheier, 2005).

Nonprofits are also distinct in that they are driven by a social mission, rely heavily on voluntary labor, show flexibility and innovation in response to social problems, and at least attempt to satisfy minority interests (LeRoux, 2005). Although the nonprofit sector remains distinct in many ways from the government and for-profit spheres, the boundaries between the sectors have become increasingly blurred (Chetkovich & Frumkin, 2003; Dees & Anderson, 2003; Hammack & Young, 1993a). In addition to increased adoption of for-profit tactics, nonprofits have even converted to for-profits in cases where mission accomplishment was assumed to be more attainable as a business (even while losing tax-exempt status) (Boris, 1999; Dees, 1999; Goddeeris & Weisbrod, 1999; Sloan, 1998).[6] Nonprofit-to-for-profit hospital conversions, for example, have garnered scholarly attention and have been frequently studied in recent decades (Dees, 1999; Moore, 1998; Sloan, 1998).

Nonprofit Human Service Organizations (NHSOs)

NHSOs represent the largest share of public charities in the U.S. and play an integral role in a broader national social service infrastructure that works toward meeting the basic needs of

[6] Government agencies, too, have undergone conversions. In some cases, governments establish nonprofit corporations to assume responsibility for some public programs (e.g., the case of the Corporation for Public Broadcasting) (Boris, 1999).

and providing numerous other services for both the general population and myriad client subgroups. These organizations play especially important roles at the local level, working to solve social problems by connecting individuals with services and enhancing community-level problem-solving skills (Backman & Smith, 2000).

NHSOs account for one-third of the nation's public charities and spend over $191 billion a year on providing resources and programs for a variety of client and community populations (National Center for Charitable Statistics (NCCS), 2010). Like all nonprofits, NHSOs seek financial resources from a diverse set of donors, institutional funders, government sources, and paying customers. These organizations rely heavily on funding from commercial revenue sources—mainly program service fees and, to a lesser extent, income from sales. Commercial income accounts for 53% of total revenues for NHSOs nationwide, making human services the third most dependent subsector on commercial income behind health and education, which rely on commercial sources for 89% and 64%, respectively, of total revenues (Roeger, Blackwood, & Pettijohn, 2012).[7] As stated by Carbone (1993), due to the reliance on fees and other commercial sources, it can be said that "a substantial portion of the business of nonprofits is business."

Definitions and Taxonomy

NHSOs comprise a distinct segment of the overall nonprofit sector, and can be defined most broadly as that set of organizations whose principal function is to protect, maintain, or enhance the personal well-being of individuals by defining, shaping, or altering their personal attributes (Hasenfeld, 1983). Human service providers writ large offer numerous support

[7] Hospitals, health clinics, and institutions of higher education do not fall under the definition of human service organization used in this study. Although these institutions work with patients, clients, and students—and in some settings health and human services are indeed grouped together—for the purposes of this study, these fields are treated as distinct from human services.

services to children and families, older adults, the mentally ill, substance abusers, the physically and developmentally disabled, the homeless, ex-offenders, and other disadvantaged or underrepresented populations (Patti, 2009).

The types of services commonly rendered by human service providers include income assistance, job training and workforce development, counseling and therapy, mental health treatment and drug rehabilitation, social care, child care and youth recreation, and socialization (Patti, 2009). The National Taxonomy of Exempt Entities (NTEE), created by NCCS,[8] includes the following subgroups under its broader category of human services: crime and legal-related; employment; food, agriculture, and nutrition; housing and shelter; public safety; disaster preparedness and relief; recreation and sports; youth development; and human services (NCCS, 2007; see Appendix C for a complete list of NTEE human service subcategories).

Because human service organizations work to alter and reshape the personal attributes of the people they serve, these organizations inherently engage in "moral work," as moral values influence and frame the organization's mission and service delivery (Hasenfeld, 1992, 2010). Due to the emphasis on working with people, the worker-client relationship—the primary vehicle through which services are provided—becomes critical within human service organizations (Hasenfeld, 2010). The issue of morals ties directly into the exploration of commercialization's potential impact on mission adherence.

The NHSO Resource Environment

Nonprofit organizations rely on diverse revenue streams to obtain essential resources to support their charitable activities and to ensure survival and effectiveness (Anheier, 2005;

[8] The National Center for Charitable Statistics (NCCS), a project of the Urban Institute's Center on Nonprofits and Philanthropy, provides a national clearinghouse of nonprofit sector data. Among other services, they compile and make available institutional data based on IRS registration data and annual Form 990 filings.

Fischer, Wilsker, & Young, 2007; Gronbjerg, 1993; Keating, Fischer, Gordon, & Greenlee, 2005; Young, 2007). Despite the classic image of charitable organizations struggling to garner support from would-be private donors, NHSOs rely mainly on financial support from earned income and government funding. Dramatic changes in the funding environment in recent years, mainly characterized by decreased direct government grant support coupled with stagnant individual giving, pose serious threats to organizational survival and have reconfigured the rules of organizational sustainability (Alexander, 2000).

Commercial Sources

In many cases, nonprofits generate revenue by selling services directly to beneficiaries. In the broader nonprofit economy, commercial revenue includes patient fees for hospitals, tuition at colleges and universities, proceeds from theater tickets and museum admissions, rental fees for low-income housing, athletic center membership dues, pledges to religious congregations, and sales of goods such as merchandise sold at thrift or museum shops (Hammack & Young, 1993a). Some fees are third-party reimbursements, including private insurance and direct government payments (which include Medicaid for mental health or health care services, payments to NHSOs through Supplemental Security Income (SSI) for the disabled poor, or Section 8 housing subsidies to low-income housing organizations). For the purposes of this study, third-party government payments are not considered commercial. Third-party payments from private entities (e.g., insurance companies), however, are considered a form of program fee income in this study.

As I have emphasized, nonprofits are increasingly engaging in commercial activities and adopt business-like practices to generate revenue (Chetkovich & Frumkin, 2003; Dart, 2004a;

Eikenberry, 2009; Hammack & Young, 1993a; Weisbrod, 1997). Nonprofit "business" activities, sometimes referred to as social enterprise, social venturing, or social purpose businesses, include strategies that earn revenue from the sale of goods, products, and services (Cooney, 2006, 2010). These efforts may fall under the auspices of a mission-related program (i.e., enterprise ventures that serve charitable purposes) or as taxable unrelated business income (Aspen Institute, 2001). An example of the former might include a catering operation that trains and employs low-income or homeless clients, while an example of the latter might be the sale of greeting cards that are produced solely to generate a profit.

Nonprofit earned income strategies, including fee-for-service models and social enterprise, are by no means new phenomena. In the early 1900s, the Charity Organization Society of New York operated a wood yard and a laundry that charged user fees and generated income for the organization (Salamon, 1995). Well-known nonprofits such as Goodwill Industries and Salvation Army have historically used social enterprise to generate revenue (Dees & Anderson, 2003; Eikenberry, 2009). But before 1980, scant attention was paid to enterprise and commerce in the voluntary sector (Skloot, 1986). Edward Skloot's (1988) edited volume, *The Nonprofit Entrepreneur*, cemented the concept of social enterprise within the sector, conflating two traditionally disparate terms—nonprofit and entrepreneur. In ensuing years, there has been a marked increase in books, conferences, newsletters, business plan contests, and consulting services devoted to social enterprise and social entrepreneurship (Cooney, 2006; Dart, 2004b; Eikenberry, 2009; Skloot, 1988; Young, 2009).

Often, social enterprise ventures align closely with an organization's mission—either because the program provides a needed service to clients or the community, employs the client population, or increases awareness of the organization's mission (Young, 2003). If a venture does not adequately align with the organization’s mission, the nonprofit may be required to pay Unrelated Business Income Tax (UBIT). In order to be subject to UBIT, the profit-making activity must: (a) be regularly carried on; (b) constitute a generally recognized trade or business; and (c) not be an activity that is substantially related to the organization's tax-exempt status—meaning the activity does not further the mission of the organization. If too much unrelated business activity is conducted, nonprofits risk revocation of their tax-exempt status. Nonprofits can also create for-profit subsidiaries, which may or may not align with the organization’s charitable mission. In either case, if the subsidiary is for-profit, then it may have to pay taxes at the same rates as a for-profit company.

Although commercial income is not novel among nonprofits, it is important to consider the implications of such revenue strategies in a contemporary resource and service environment characterized by increased privatization, funding instability, increased client demands, and unmet community needs. Many in the field have raised concerns about the extent to which reliance on commercial income may affect some of the more traditional aims and elements of nonprofit operations—including funding stability, voluntarism, the composition of clientele and leadership, and adherence to the organization’s mission (Abramovitz, 2005; Alexander, 2000; Chetkovich & Frumkin, 2003; Cooney, 2006; Fabricant & Fisher, 2002; Frumkin, 2002a; Gilbert, 1984; Hammack & Young, 1993a; Hughes & Luksetich, 2004; McMurtry, Netting, & Kettner, 1991; Paarlberg & Gronbjerg, 1999; Pratt, 1997; Reisch, 2009; Reisch & Sommerfeld, 2003; Skloot, 1988; Sloan, 1998; Weisbrod, 1998). Others have pointed out the potential benefits of commercial activity and earned income, including more effective resource allocation, enhanced reputation, increased accountability, and—most of all—greater organizational sustainability through the ability to raise unrestricted funds to subsidize programs (Brinckerhoff, 2000; Dees & Anderson, 2003; Massarsky & Beinhacker, 2002; Toepler, 2004).

Government Sources

While commercial revenue remains the largest and fastest growing form of nonprofit income, government funding represents a highly important funding source for much of the nonprofit sector—particularly human service organizations. Since the 1930s, the relationship between the nonprofit sector and government has been critically important. The nonprofit and public sectors were less entwined in the early history of U.S. philanthropy, but New Deal legislation increased opportunities for nonprofits, expanding the nonprofit-government relationship. The nonprofit sector's ensuing heavier reliance on public funding has led to several challenges, primarily resource shortfalls resulting from public social welfare spending fluctuations (LeRoux, 2005). Most recently, the economic downturn that began in 2007 brought about new cuts to government support for nonprofits—confounding the challenges related to increased service demands (Boris, de Leon, Roeger, & Nikolova, 2010).

In 2010, government funding accounted for 32% of nonprofit revenue in the U.S., and typically comes via two general sources: grants and contracts (Roeger, et al., 2012).[9] While the former tends to include more general operating support for programmatic activities, the latter often carries explicit deliverables, and payment may be tied to specific services rendered. Government income also includes third-party payments from programs like Medicaid and Medicare.

[9] The author concedes that to categorize government support of nonprofits into grants and contracts ignores the extensive benefits that nonprofits receive by way of tax-exemption and consumer-side benefits such as Medicare, Supplemental Security Income, Food Stamps, Social Security, and other allocations that allow clients to access services provided by nonprofits. The scope of this study does not allow for a more encompassing assessment of government's support for nonprofits, and relies solely on the more direct forms of support.

Donative Sources

As the nonprofit funding landscape has evolved over the past four decades, philanthropic donations from individuals and institutional funders have come to represent a smaller share of overall revenue. While Frumkin (2002a) points out that private contributions represented more than half of overall nonprofit revenue in 1964, donations dipped in the 1970s, and further declined from 30% in 1980 to 19% in 1996 (Boris, 1998; Hodgkinson & Weitzman, 1986, 1988). The most recent figures show that donative income makes up just 13% of overall nonprofit support, and 20% of revenue among NHSOs (Roeger, et al., 2012).

Individual donors are often solicited through direct mail, personalized major donor appeals, and planned giving campaigns. Nonprofits also raise money from individuals through membership dues and special events—both of which are sometimes categorized as commercial income—but more often are considered as donative revenue (Guo, 2006).

In addition to individual donors, nonprofits also receive critical support from private foundations and corporate funders. Private foundations provide grants that either support general operations or specific programs or projects (e.g., capital campaigns, capacity building, etc.). Corporate giving can also be carried out through grantmaking activities, but may also include sponsorship arrangements, employee matching gifts, and in-kind donations of supplies or other resources.

The next sections provide a definition of commercialization, the historical context for this study, and the evolution of commercialization within the nonprofit sector writ large and the nonprofit human service sector in particular.

Commercialization: Defined

Scholars have used several terms to describe commercial activity in the nonprofit sector. Some scholars use the term “commercial” to describe sustained activity that is related, but not customary to the organization, and designed to earn money (Skloot, 1987). Chetkovich and Frumkin (2003) use “fee-based” rather than commercial to refer to mission-based nonprofit activities that are supported by fees as opposed to activities that are primarily (or entirely) engaged in for revenue-generation, which would more justifiably warrant a “commercial” label. For the purposes of this study, mission-related earned income ventures are commonly referred to as commercial revenue or earned income.

Marketization (often used interchangeably with commercialization in the literature), whereby market-oriented principles, values, practices, and language begin to permeate everyday discourses, continues to gain attention in the nonprofit sector (Carbone, 1993; Eikenberry, 2009; Simpson & Cheney, 2007). The adoption of these principles in a nonprofit setting can be described as a shift in institutional logics—one of the theoretical perspectives discussed in greater detail in Chapter Three.

The concept of marketization in the nonprofit sector typically refers to two separate, albeit related, phenomena: (1) nonprofits pursuing commercial forms of revenue or earned income and therefore acting more “business-like;” and (2) increased presence of for-profit service providers in the social service sector (Dees & Anderson, 2003; Felty & Jones, 1998; Gronbjerg, 2001; Guo, 2006; Salamon, 2002; Weisbrod, 1998). In terms of the latter, companies like Lockheed Martin engage in what Ryan (1999) refers to as “poverty profiteering,” competing for—and winning—lucrative government contracts to provide welfare-to-work and a host of other social services.

Human services are predominantly delivered by charitable nonprofit organizations in cooperation with government, and for a long time this subsector has been considered an area not appropriate for profit making, as it is closely identified with charity (Guo, 2006). But as the cultural ideals of business and entrepreneurialism have traditionally been valued in the U.S., and market forces increasingly penetrate most aspects of society and culture, the nonprofit human service sector has been far from immune to market influence (Eikenberry, 2009; Stivers, 2000).

Commercial activities such as charging fees for program services or selling products to customers, represent a more controversial approach to revenue acquisition than other forms of revenue generation—mainly due to pressures that could potentially detract from an organization's mission-related activities (Froelich, 1999). In a general sense, however, all nonprofits—regardless of the revenue streams on which they rely—acquire resources through what could be considered "markets"—for clients, donors, staff, volunteers, and so on (E. Brown & Slivinksi, 2006; Hammack & Young, 1993b). Even nonprofits that do not rely heavily on commercial income may also experience "mission drift" (i.e., a tendency toward activities that are tangential, if related at all, to an organization's mission) due to the influence of external market forces.

As Cooney (2006) points out, while studies have compared the performance and quality of nonprofit and for-profit organizations in mixed sector industries (such as health care and day care), few have looked at within sector differences between nonprofit commercial ventures. Weisbrod (1998) examines behavioral variation among nonprofit enterprises, distinguishing between nonprofit "bonoficers"—nonprofit organizations which allocate at least some of their resources toward the public good—and "for-profits in disguise," which "behave like profit maximizers" and bear little distinction from private firms (Weisbrod, 1998). This study seeks to build on the work of Weisbrod (1998) to better illuminate distinctions between commercial and non-commercial NHSOs.

Commercialization: A History

Over the past 30 years, the nonprofit sector has experienced an aggregate increase in its reliance on commercial activity and earned income generation (Aspen Institute, 2001; Cordes & Steuerle, 2009; Cordes & Weisbrod, 1998; Dees, 1999; Frumkin, 2002a; Kerlin & Pollak, 2010; Salamon, 2002; Skloot, 1988; Weisbrod, 1998). In the early 1970s, economists characterized the market economy as being split between private business (e.g., for-profit production and distribution of goods and services) and government (e.g., law enforcement, market regulation, protection of social justice, etc.) (Hammack & Young, 1993a). By the 1980s, however, many economists and others viewed the nonprofit sector as an increasingly important element of the market economy—across many industries and fields. As a result, in the human services field, nonprofits came to be viewed as one branch of a mixed social service economy (Austin & Hasenfeld, 1985; Ben-Ner & Hoomissen, 1991; Kramer, 1977, 1985; Marwell & McInerney, 2005).

Nonprofit organizations have historically supplemented donations with fee and commercial income. As previously discussed, the initial commercialization of nonprofits—including those charity organizations that predate federal tax-exemption status—began more than 100 years ago (Froelich, 1999). When human service organizations began to expand in the mid- to late-nineteenth century, they relied primarily on private donations and fee income, since government support—especially at the federal level—was minimal (Smith, 2010). It was during this era when such influential organizations as Catholic Charities, Lutheran Social Services, Jewish Family Services, Goodwill Industries, the Salvation Army, and many child welfare agencies were established (Smith, 2010). As is the case today, these nonprofits were not prohibited by law from engaging in commercial activity—as long as the activities furthered the nonprofit's mission (Brody, 2009).

When the social service sector began to become institutionalized in the late nineteenth century, so too did the ideologies around poor relief and charitable aims. By 1880, the belief that medical care and aiding the poor were best provided by religious groups had given way to a more scientific approach to health and welfare (Hammack & Young, 1993a). When the charity organization societies (COS), private organizations which became popular vehicles for poor relief and philanthropic efforts in the second half of the nineteenth century, entered a new millennium characterized by budding industrialization and organizational innovation, charitable and corporate principles quickly became fused (Reisch, 2009).

Although the application of business practices in philanthropy was not fully embraced at the time, the traditional COS model of volunteer-reliance soon evolved into one in which cadres of paid staff were responsible for all aspects of organizational management and oversight—a trend toward professionalization that still remains relevant (Reisch, 2009; Reisch & Wenocur, 1982). Even the Settlement Houses, which began to appear in U.S. cities in the 1880s, showed signs of corporate management (Reisch, 2009). Considered by most to be more socially progressive than the COS model, the Settlement House movement also grappled with the tension between democratic values and reliance on corporate wealth, elite donors, and influential elected officials (Wenocur & Reisch, 1989). Concurrently, fee-based models of self-help services paved the way for the spread of psychotherapy in the 1920s (Gronbjerg, 2001).

When the business-dominated Community Chests and private foundations gained popularity as philanthropic vehicles after World War I, private human services were increasingly infused with corporate principles, methods, and values (Brilliant, 1990; Reisch, 2009). Amid post-World War II affluence, corporate-dominated boards pushed human service agencies—both private and public—to begin shifting their focus away from low income clients and more toward middle and upper income populations. By 1960, many nonprofit agencies relied on client fees for more than half of their income, although private donations provided the aggregate bulk of support. At that time, nonprofits still operated relatively autonomously from government, although that would soon change drastically (Stone, Hager, & Griffin, 2001).

The War on Poverty and a host of other Kennedy-Johnson era federal social programs had an enormous impact on the nonprofit human service sector in the 1960s and 1970s. After historically providing only limited public funding to human service organizations, the federal government now channeled new revenue streams to nonprofits to implement newly enacted social policy initiatives (Felty & Jones, 1998; Smith, 2010). Heavy increases in federal spending on health and welfare programs led to significant growth in the nonprofit sector (Billitteri, 2007). After the federal government entered the human service field in a massive way, government surpassed private giving as a source of revenue, reaching well over 30% by the late 1970s, compared to less than 20% from private giving (Salamon, 1999b). The increased share of government revenue resulted both from government's expanded role in the nonprofit sector in the 1960s and also declines in private giving due to the economic downturn in the 1970s.

Following the growth in the welfare system in the 1960s and early 1970s, the federal government began reducing its role in the financing and operation of social programs during the Nixon administration (Adams & Perlmutter, 1991). Also, at the end of the 1960s, changes in federal funding regulations allowed for-profits to apply for and receive government contracts—a momentous change in social service contracting (Gibelman, 1995). In fact, the 1967 amendments to the Social Security Act gave states the option to purchase services from nonprofit or for-profit agencies (Ginsberg & Gibelman, 2009). This broader trend toward privatization—the conversion of public programs into services provided by private entities (both nonprofit and for-profit)—would become a critical element of nonprofit commercialization.

After a sustained period of government support of nonprofit organizations, with roots in New Deal policies in the 1930s and expanded support in the 1960s, Reagan-era retrenchment of government social welfare spending and restructured fiscal policy led to greater reliance on fee-for-service and unrelated business income as nonprofits sought means to replace lost government funds (Reisch, 2009; Salamon, 2002). Dating back to the 1970s, governments at all levels have suffered from growing debt, anti-tax movements and subsequent tax rate reductions, and public mistrust of government's ability to efficiently and effectively deliver services (Hammack & Young, 1993a). Even by the late 1970s, scholars had already recognized that commercialization had penetrated the nonprofit sector. Kramer (1977) posited that in light of shifts in the welfare state and changes in the relationship between government and nonprofits, one future possibility for social service organizations was that they would become "increasingly like proprietary organizations as they rely more on fees."

In the early 1980s, a largely Republican Congress, with the support of President Reagan, converted several entitlement and income security programs into block grants and turned them over to the states—a process known as devolution or New Federalism (Alexander, 2000). Devolution of federal social programs—an effort to make government more efficient and economical by shifting responsibilities to lower levels of government—had an enormous impact on the nonprofit sector. With local governments gaining more control over policy implementation, organizations were no longer protected by federal rules and regulations. In turn, institutional, political, and economic forces—particularly at the state and local level—became much more volatile as they affected NHSOs (Hasenfeld, 2010).

The impact of the Reagan administration's stance toward nonprofit service providers was twofold, focusing on shrinking the role of federal government and cutting spending for social programs. Not only were social programs converted into capped block grants to states, but the amount of public investment in these programs was reduced. Large budget cuts in domestic programs heavily impacted nonprofit organizations, with particular effects on social service agencies and legal and advocacy groups (Skloot, 1988). The reductions in government funding threatened to decrease the availability of services to poor populations, driving up demand for nonprofit social services (Salamon, 1995). Hadley and Culhane's (1993) national study of community mental health centers, conducted ten years after the conversion to block grant financing, found declines in professional staff, increased caseloads, and fewer services available to children, adolescents, the elderly, and the uninsured. The authors conclude that organizations sought to offset the decline in federal funds through state funds and fees for services (Hadley & Culhane, 1993).

Nonprofit organizations were forced to seek out additional revenue streams to make up for gaps in public funding. NHSOs that depended heavily on government funds responded by creating revenue-generating programs and redirecting their efforts to state and local sources of funding (James, 2003; McMurtry, et al., 1991). This marketization of nonprofits became the "trend of the decade" (Alexander, 2000; Salamon, 1997).

In addition to having to seek out new forms of revenue, nonprofits also found themselves in new purchase-of-service contract (POSC) relationships with government. Within these arrangements, government entities buy the services of nonprofits (as well as for-profits) in order to provide a range of public benefits (e.g., welfare-to-work programs, substance abuse and mental health treatment, etc.) (Lauffer, 2009). Government funding, in some ways, can increase the need for an organization to generate additional dollars. Either by way of matching fund requirements or the fact that service contracts tend to be very program specific (and underfund agency overhead or administrative expenses), NHSOs need to locate alternative revenue streams to offset costs (Smith, 2010).

In some studies, government contracting has been linked to an increase in commercial activity among human service providers; others have found conflicting results (Stone, et al., 2001; Young, 1998). Adams and Perlmutter (1991) found that nonprofit commercial ventures were not necessarily launched in response to government cutbacks, and that government funding and commercial revenue did not have an inverse relationship. Many of the successful venturing agencies in their study also had large government contracts. The authors conclude that if federal and state funding levels were restored to their pre-Reagan levels, the need for nonprofit agencies to raise unrestricted funds by entrepreneurship would not be eliminated (Adams & Perlmutter, 1991).

Demone and Gibelman (1984) examined data from studies conducted by various United Ways, the Family Service Association of America, and the Urban Institute to gauge the impact of Reagan-era budget cuts on nonprofit service providers in the early 1980s. Among social service organizations, 62% of the agencies reported a reduction in government funding between 1981 and 1982. Earned income increased by a modest 4%—still a larger increase than gifts and contributions—during that time (Demone & Gibelman, 1984).

Part of the government's funding shift in the 1980s included an increase in consumer-side subsidies (e.g., increased benefits eligibility, voucher programs), resulting in nonprofits having to market their services to a new fee-paying clientele. In response to the Reagan era cuts in government grants, nonprofits generated 75% of their replacement income from program fees (Salamon, 1989).

In the mid-1980s, Neil Gilbert (1984) coined the term "welfare for profit" to describe the increasing number of for-profit agencies engaged in social service delivery. For-profits had become active in several social service areas, including employment training, transportation, and meals on wheels (Gilbert, 1985). Initially, for-profit entrance mainly affected nursing homes, day care centers, and child welfare and health care agencies, but more recently, for-profits have become more active in mental health services, child residential services, adult day care, and income maintenance programs (Gilbert, 1985; Ginsberg & Gibelman, 2009). Nonprofit emergency medical services (EMS) organizations have virtually been driven out of the marketplace by for-profit EMS companies (Ott, 2001). Salamon (1993) would later suggest that the "marketization of welfare"—an outgrowth of Gilbert's characterization—also includes the expansion of commercial activity among nonprofits and the increasingly blurred distinctions between nonprofit and for-profit service providers.

Welfare reform legislation in the mid-1990s resulted in further efforts to devolve welfare spending to state programs and also reduced welfare rolls by enacting more stringent benefit eligibility requirements and imposing time limits. Welfare reform led to a shift away from cash assistance to the poor and to a greater focus on services that promote individual responsibility (with a particular emphasis on welfare-to-work programs) (Smith, 2010). This effort generated billions of dollars nationwide in job training contracts, for which nonprofits and for-profits competed (Ginsberg & Gibelman, 2009).

Today, commercial income remains a crucial source of revenue for nonprofits (Roeger, et al., 2012). The extent to which nonprofit organizations in general have become more reliant on commercial revenue over the past three decades has been debated, but many scholars have charted steep increases in commercial income over time (Froelich, 1999; Kerlin & Pollak, 2010; Roeger, et al., 2012; Salamon, 2002; Wing, et al., 2009). Program service fees accounted for 25% of total revenue in 1980, and grew to 38% in 1986 and to 39%—the sector's largest single source of income—in 1996 (Froelich, 1999). Today, private (i.e., non-government) fees account for half of all nonprofit revenue and 28% of revenue among NHSOs (Roeger, et al., 2012).

Potential Downside of Commercialization

This section reviews the empirical research that has examined the impact of commercialization on nonprofit organizations. I pay special attention to how different organizational characteristics are impacted by commercial activity and how they differ among commercial and non-commercial NHSOs. I begin by discussing the impact of commercial income on low-income target populations, the composition of staff and volunteers (including board members), and issues around collaboration and competition. Then I discuss some potential benefits to commercialization, including financial sustainability and efficiency, increased accountability tactics, and greater focus on strategic management technologies.

Research suggests that nonprofits experience mixed results when implementing business solutions adopted from the for-profit sector. Some scholars point out the unintended negative consequences of commercial activity, explained in part by the innate differences between nonprofits and for-profits (Beck, et al., 2008). Others highlight the benefits of commercial activity, including more effective resource allocation and increased sustainability, self-sufficiency, and accountability (Dees & Anderson, 2003; Guo, 2006). In order to make sense of this, one must begin to understand the underlying differences between these two organizational forms.

Some argue that the nonprofit form exists because of supply deficiencies for certain services or goods in the for-profit and public sectors. For instance, due to information asymmetries whereby consumers might lack sufficient access to reliable information about the quality of services being rendered, stakeholders may choose a nonprofit provider rather than a for-profit because there will be weaker incentives for the organization to pursue profitability by cutting costs at the expense of service quality. Examples of subfields where this might occur include child day care and nursing homes.

Because a limited number of empirical studies have looked at the differences between commercial and non-commercial nonprofits, I also review studies that examine differences between nonprofits, for-profits, and public agencies (Amirkhanyan, Kim, & Lambright, 2008; Brody, 2003; Clarke & Estes, 1992; Weisbrod, 1997). These studies provide a useful comparative framework for exploring distinctions among commercial and non-commercial nonprofits. Most of these studies examine health organizations due to the large presence of for-profit providers. Through a systematic review of performance differences between private for-profit and nonprofit U.S. health care providers, Rosenau and Linder (2003) found that nonprofits were judged superior 59% of the time compared to just 12% for for-profits.[10]

[10] The performance measures comparing for-profit and nonprofit service providers in the study included access, cost/efficiency, quality, and amount of charity care. Many differences exist among the 179 performance

Mauser's (1998) study of U.S. child care centers found quality to be higher in nonprofits—both religious and secular—than in for-profit centers. Svarstad and Bond (1984) compared nonprofit and for-profit nursing homes in the U.S., and found that the use of sedatives, which led to increased organizational revenues, was four times as great at for-profit hospitals as at church-related nonprofit facilities. In addition, Weisbrod's (1997) study of the nursing home and mentally handicapped industries found that nonprofit nursing homes utilized a much higher ratio of registered nurses per bed (nearly double the ratio in for-profit facilities) despite the additional costs.

As one might expect, nonprofits and for-profits seem to rely on different pricing practices and ways of distributing their services. In Weisbrod's (1997) study, he found that nonprofit and church groups have significantly smaller profit margins than proprietary facilities. In their national panel study on nursing homes, Amirkhanyan et al. (2008) indicate that ownership status is associated with critical differences in both quality and access. They found that public and nonprofit organizations are similar in terms of quality, and both perform significantly better than their for-profit counterparts.

To be sure, results have been mixed. Clarke and Estes (1992) found that within the home healthcare sector there was little difference between nonprofits and for-profits in terms of client socioeconomic status, services provided, and staff. Krashinsky (1998) found no major differences in the quality of care between for-profit and nonprofit day care centers. Heinrich (2000) looked at nonprofit and for-profit job-training service providers, concluding that nonprofits were not more likely to serve more disadvantaged clients and that neither for-profit

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assessments included in the study. As a result, the authors refer to their exploration as a statement of findings, and not a meta-analysis (Rosenau & Linder, 2003).

nor nonprofit providers were consistently more effective in increasing earnings and employment rates.

Nonprofits contend with the dual challenge of succeeding financially in a competitive resource environment while staying focused on mission—a demanding task given the likely tension between mission and margin (E. Brown & Slivinksi, 2006; Bush, 1992; Chetkovich & Frumkin, 2003; Frumkin & Andre-Clark, 1999; Ryan, 1999). Every nonprofit organization is required to have a mission statement, which dictates to the public the organization's raison d'être. Missions represent the "soul of nonprofit organizations," while money allows them to carry out their work" (Tuckman & Chang, 2006). According to Anheier (2005), mission statements help uphold boundaries, motivate staff, volunteers, and other stakeholders, and aid in evaluation processes. Mission statements provide a framework for the overall goals and objectives of an organization, its programs, technologies, and so forth. For public charities, the mission often denotes the moral ground on which the organization has been founded and in turn granted tax exemption.

Mission vs. Margin

Commercialization in the nonprofit sector poses a potential conflict between promotion of the public good and self-serving revenue generation. The following statement by Stoesz (2002), while contextually broad, helps illustrate this tension: "Social work's mission, aiding the disadvantaged, often conflicts with a market economy that generates poverty and inequality." While individual donations—much like voluntarism—have been considered a "sacred source of nonprofit support," commercial income has often been viewed as sacrilegious (Froelich, 1999). The sacredness of donative income derives from the altruistic nature of the donor-nonprofit transaction relationship (Bush, 1992). Presumably, goodwill and philanthropic intentions influence one to contribute to a cause that aligns with his or her own personal affinities. We know that there are other reasons (e.g., guilt, peer pressure, image enhancement, etc.) that people give to charitable causes, but we can assume that the majority of individual donors do so at least in part with altruistic motivations.

According to James and Young (2007), fee income has never been a completely comfortable fit with nonprofit organizations, for various reasons related both to ideology and behavioral risks such as mission drift. An oft-cited example of the latter entails instances where organizations once committed to providing free services to disadvantaged clients begin charging fees to a less needy clientele (James & Young, 2007). The National Association of Social Workers (NASW) explicitly addresses the issue of payment for services in its Code of Ethics, which contains ethical standards stating that fees should be reasonable and should take into account a client's ability to pay (National Association of Social Workers, approved 1996, revised 1998).

Adams and Perlmutter (1991) surveyed 101 voluntary social service agencies in the greater Philadelphia area, finding that, even when successful, commercial ventures pose notable risks to nonprofit agencies. Many of the sample organizations that were involved in commercial activity (or venturing) reported conflicts between the venture's goals and the organization's goals. Most commonly these conflicts involved shifting emphasis to a more affluent clientele. Respondents also reported broader value conflicts between profit and nonprofit. Indeed, the agencies that enjoyed the most commercial success also experienced the greatest shift away from their core missions. The limitation here, of course, is that these examples are based on a relatively small sample of agencies. Ultimately, Adams and Perlmutter (1991) concede that the examples in their study simply show that by undertaking commercial ventures, NHSOs may run the risk of displacing programs that are at the core of the agency's mission. Massarsky & Beinhacker (2002) found that nonprofit organizations that operate commercial ventures tend to be older and more experienced, and larger in terms of budget and staff size than nonprofits than those that do not operate such ventures.

Commercialization may also reduce the ability of the sector to contribute to social capital by minimizing the role of collaboration and networking among organizations (Backman & Smith, 2000; Eikenberry, 2009). Collaboration has been shown to result in myriad benefits to nonprofits and their beneficiaries. Interorganizational alliances improve client and information communication, thus creating a more integrated service network (Foster-Fishman, Salem, Allen, & Fahrbach, 2001). A for-profit approach, with greater emphasis on financial performance, might detract from the traditional voluntary spirit of inclusiveness and collaboration; and a more competitive organizational mindset might endanger the quintessential functions of charitable nonprofits (Bush, 1992). Commercialization may hinder the potential democratic contributions (e.g., advocacy, public education, voluntarism, and other civic actions and mission-related activities) of nonprofit and voluntary organizations (Cooney, 2006; Dart, 2004a; Eikenberry, 2009; Eikenberry & Kluver, 2004; LeRoux, 2005; Ryan, 1999). In a study by Alexander, Nank, and Stivers (1999), the authors found that among social service nonprofits, market-oriented organizations shifted their focus from public goods (e.g., research, teaching, advocacy, and serving the poor) to meeting individual client demands.

Questions have also been raised about the general success of nonprofit social ventures, calling into question the extent to which these efforts benefit the organization (Eikenberry, 2009; Foster & Bradach, 2005). According to Foster and Bradach (2005), social enterprise projects account for only a small share of overall funding in most nonprofit domains and few of the ventures make money (less than 20% of the ventures studied broke even or made a profit). These data are not unlike results in the for-profit business world, where 70% of businesses fail (Dees, 1999). Granted, these programs and organizations may have had successful program outcomes, if not financial outcomes. This point speaks to the idea of a potential double bottom line in nonprofit social enterprise whereby desired social outcomes are achieved in the absence of financial success.

A number of studies have looked specifically at the impact of commercial revenue among nonprofit social service providers. Guo (2006) developed and tested a conceptual model to examine factors associated with the commercialization of NHSOs. While her findings suggest that commercialization significantly contributes to an organization's self-sufficiency, ability to attract and retain staff, and positive reputation, self-reported organization performance measures (e.g., ability to attract and retain volunteers and donors; mission and program/service delivery) were not significantly related to commercialization. Guo's (2006) study, however, draws conclusions from a relatively small sample (n=67) that only included organizations reporting commercial activity. As a result, her study did not compare commercial and non-commercial NHSOs. Furthermore, due in part to the small sample size, she was not able to control for differences across human service subsectors.

Target Population

One of the primary concerns with commercialization centers around the effect on the relationship between nonprofits and the individuals and communities they serve, especially when services are no longer offered for free and beneficiaries (or clients) are transformed into customers (Dees & Backman, 1995). While nonprofits provide a wide range of services to various populations, they have traditionally been portrayed as playing a special role in serving marginalized groups (e.g., low-income, non-white, non-English speaking, etc.) (Clotfelter, 1992; Paarlberg & Gronbjerg, 1999). Commercial activity and the influence of market pressures might have implications for how nonprofits serve those in greatest need and perform some of the traditional social functions (e.g., advocacy, community empowerment and organizing, basic needs provision, etc.) that tend to be undervalued by the market. NHSOs whose mission it is to serve the very poor may find it easier to generate fees by serving clients who are less disadvantaged than to raise the funds to subsidize their charitable work (Dees & Anderson, 2003).

Because nonprofit agencies are often the sole providers of services to low- or no-income clients, it is important to ascertain whether and how these agencies are maintaining their traditional concern for clients who cannot pay for fee-based services (McMurtry, et al., 1991). Gronbjerg's 1990 study of Chicago-area NHSOs found that the higher the percentage of an organization's income from fees, the lower the level of services to poor clients. Salamon (1995) found similar results when examining the commercial income in relation to low-income clients. For smaller nonprofits working in disadvantaged communities, the absence of free services—even when a sliding scale is in place—can price out the most underserved groups (Frumkin, 2002a). Salamon (1995) found that the primarily social service agencies (34% of the sample) ranked among the lowest in terms of average proportion of clients who are poor. In fact, nonprofits in his study serving mostly poor clients received only 8% of their income from dues and fees.

Ben-Ner and Gui (2003) state that nonprofits are expected to be less likely to discriminate against particular stakeholder groups based on variables such as ethnicity, race, gender, age, or other characteristics, but this is called into question within the context of commercialization. Haycock's (1988) survey of ten small venturing agencies showed that the two that enjoyed the greatest commercial success underwent a shift away from their stated missions. One agency, established to fight housing discrimination, created a successful corporate placement program to find jobs for middle-class professionals. The second, set up to supply low-cost fuel for low-rent housing projects, began marketing fuel to affluent homeowners (Adams & Perlmutter, 1991).

The following paraphrased examples from the Adams and Perlmutter study (Adams & Perlmutter, 1991; Perlmutter & Adams, 1990) illustrate how commercial activity can lead to organizational change:

> Agency A provides inpatient and outpatient services for indigent drug abuse clients. Faced with a growing deficit due to inadequate governmental reimbursements, the agency developed a treatment program targeted to working people. The agency diverted almost a third of its beds to these new paying clients and increased its revenues enough to cover the cost of treating its indigent clients. Throughout the creation of the new venture, the board of directors remained firmly committed to its original objective of serving the poor. Yet, in order to preserve that mission, the board had to accept shifting a third of its services away from the poor to more affluent paying clients and shortened the minimum stay for resident patients in order to accommodate employer's preferences.
>
> Agency B offers social and mental health services to families and children. To cope with funding cuts, the organization changed its service strategy to a fee-

> for-service model—even if it meant curtailing services to highly vulnerable populations like low-income individuals, single parents, and those living with HIV/AIDS. The agency's first commercial venture was a fee-based home-care program for frail elderly and a respite program for families of the elderly. Other services for middle- and upper-income families are in the planning stages. Agency B is also shifting its emphasis to a more affluent clientele and has restructured its board of directors to include more members with fiscal and legal expertise.

Nonprofit Staff and Volunteers

By many accounts, the culture of nonprofit management has changed in recent decades, as organizations have elected to pay more attention to managers' professional skills (Cordes & Steuerle, 2009; Young & Salamon, 2002). Along with increasing involvement in commercial activity and heightened competition with for-profits for clients, service contracts and other resources, nonprofits appear to have professionalized their labor force across multiple categories: paid employees, volunteers, and board members (Frumkin, 2002b; Gilbert, 1984). Brown and Slivinski (2006) stated that engaging in commercial activities can involve fundamental changes in personnel and organizational structure—including changes in the membership of the board that would help in the pursuit of earned income. In general, however, the noted professionalization trends have not been specifically tied to commercial activity.

Because human service organizations are so dependent on the quality of the client-worker relationship in order to achieve desirable service outcomes, the composition of staff is a key ingredient (Hasenfeld, 2010). Gronbjerg (1993) points out that nonprofit organizations have historically employed women and minorities at higher rates than in the for-profit sector, presumably as a means of better representing the marginalized target populations aided by these groups. If nonprofit staff are hired with the primary intention to pursue “profitable” activities, James (2003) asks whether it is possible that the ethos and value structure of the entire organization will change. This question and related concerns illustrate the potential conflict between mission and margin that arises with the onset of or increase in commercial activity.

Related to these concerns is the issue of diversity, defined in broad terms, in the nonprofit sector. Scholars point out the important role that nonprofits play in promoting diversity as a form of community building and democratization (Salamon, Hems, & Chinnock, 2000). Numerous studies and reports suggest that diversity among nonprofit employees is not keeping pace with demographic shifts in the larger population (De Vita & Roeger, 2009; Schwartz, Weinberg, Hagenbuch, & Scott, 2011). At the national level, nonprofit employment breaks down approximately as follows: 82% white, 10% African-American, 5% Hispanic/Latino, 3% other, and 1% Asian or Pacific Islander (Peters & Wolfred, 2001; Weitzman, Jalandoni, Lampkin, & Pollak, 2002). These figures suggest that Latino populations are vastly underrepresented and that African-Americans and Asians are also underrepresented.

The recent shift in emphasis by public and private institutional funders (and, to a growing but lesser extent, high-net-worth individuals) toward business-oriented practices among NHSOs means that funders expect nonprofits to professionalize management strategies and to demonstrate measurable outcomes while keeping costs low (Alexander, 2000). Commercial income has been linked to changes in the composition of nonprofit staff whereby employees expect market-rate wages (Dees & Backman, 1995). According to Frumkin (2002a), the nonprofit workforce writ large has made some decidedly business-like demands concerning compensation levels in large nonprofit organizations. We know very little about whether more commercial nonprofits seek a more professionalized staff (in order capitalize on profit-seeking strategies) or a lower-skilled (and therefore lower paid) staff to maximize the income potential of the organization and also to minimize costs.

Related to concerns about staff composition, some also warn of the potential impacts on leadership. Smith and Lipsky (1993) point out that most founding executives are typically chosen from the community and therefore represent a local set of goals and ideals. But as the resource environment has evolved, nonprofit executives have had to increasingly shift their attention from mission to organizational management and resource development. In more general terms, Smith and Lipsky (1993) observed that professionalism in the nonprofit sector has created conflict between new management and accountability tactics and traditional community orientation.

Volunteers

Reliance on voluntary labor represents another key distinction between nonprofits and for-profits, and increased commercialization and professionalization raises questions about this reliance (LeRoux, 2005; Salamon, 1995; Smith & Lipsky, 1993; Weisbrod, 1997). Voluntary action serves a mutually beneficial function, as organizations gain from free (and presumably impassioned) labor, while volunteers themselves are availed opportunities to invest human capital in causes important to them. Scholars argue that commercialization can undermine the local roles played by nonprofits, since community-based organizations often serve as outlets for citizens to act on their philanthropic impulses—to join voluntarily in efforts to improve the conditions of their neighborhood or other environments (Clotfelter & Ehrlich, 1999; Dees, 1999; Weisbrod, 1997).

Among more commercial nonprofits, volunteer recruitment may focus less on involving and representing a broad base of individuals or underserved populations and may become more focused on promoting a business-like agenda or more heavily recruiting volunteers from the for-profit sector. It is possible, however, that commercial nonprofits would seek to maximize volunteer labor in order to keep staff costs low.

Board of Directors

Another concern with commercialization involves its effect on the composition of the board of directors. Nonprofit boards are ultimately responsible for the organizations that they oversee and are one of the primary vehicles through which citizens participate in the nonprofit sector (Ostrower, 2007). Backman and Smith (2000) describe the traditional model of nonprofit governance as a board composed of donors and community representatives who provide agency oversight. In addition to its legal authority to govern the agency, the board is also tasked with providing sound financial governance and appointing the organization's chief executive (Ginsberg & Gibelman, 2009). Board members are involved in strategic planning, mission development, agency policy formation, fundraising, and other internal and external functions (LeRoux, 2005).

According to Provan (1980), a board's internal control function includes assisting the organization with idea generation, adoption, and implementation. Boards exhibit an external control function when they create links with outside groups that can help the organization acquire resources and support (Jaskyte, 2010; LeRoux, 2005; Provan, 1980). In recent years, nonprofit boards have become an increasing focus of those interested in nonprofit accountability and transparency, including policymakers, the media, and the general public (Ostrower, 2007).

The issue of board member diversity among nonprofit organizations has been growing in recent years; and although nonprofit boards have become more ethnically and racially diverse, they still tend to under-represent client populations (W. A. Brown, 2002; Rutledge, 1994). This issue can be traced to the 1975 Filer report, which recommended that nonprofits “recognize an obligation to be responsive to changing viewpoints and emerging needs and that they take steps such as broadening their boards and staffs to insure that they are responsive.” More recently, Paarlberg and Gronbjerg (1999) asked whether nonprofits will begin to emulate the corporate board model, and seek members primarily on the basis of expertise relevant to commercial enterprise (e.g., financial, legal, business, etc.). Indeed, O’Neil (1989) suggests that the propensity for business leaders and finance experts to serve on nonprofit boards adds momentum to the growing demand among institutional funders that nonprofits become more business-like in “form, structure, practice, and philosophy.”

NHSOs also play a role in helping emerging groups develop indigenous leadership by improving the group’s capacity to analyze its own situation, set priorities, and develop effective strategies to pursue its interests and aspirations (Daley, 2002). In addition, NHSOs can play a valuable policy-making role by including members of under-represented groups on policy boards (Daley, 2002). In their analysis of the potential effects of commercialization on networks within the nonprofit sector, Backman and Smith (2000) warn that boards may become more “corporate-like,” increasingly populated by corporate leaders and representatives—not necessarily representatives of the communities being served.

Potential changes in board member composition are closely related to shifts in client demographics. With a shifting client base, nonprofit executives may require new and different expertise from board members (Adams & Perlmutter, 1991). This trend has implications for the way organizations are managed and to what extent organizational leadership represents the diverse populations that nonprofits serve. If nonprofit boards focus more on entrepreneurial strategies and less on connecting to the community, this could lead to a diminished role for underserved populations.

Researchers have long shown that participants on boards of directors come disproportionately from upper status groups (Abzug & Galaskiewicz, 2001; Ostrower, 2007; Widmer, 1984, 1985, 1987). This trend dates back to the early days of "scientific charity" in the late 1800s when the nonprofit "corporation" became the preferred organizational form for philanthropic and charitable activities (Reisch, 2009). At the time, board members held the most important positions, and board chairmen were almost always wealthy businessmen and large contributors—if not the largest—to the agency (Reisch, 2009).

According to BoardSource (2007), 86% of board members in a national sample were white, while 7% were African-American, 3% Latino, 2% Asian, and another 2% Other. To be sure, board diversity entails more than just ethnic composition or racial diversity. Other groups traditionally less involved in board participation have included low-income persons, clients, and inexperienced board members (Daley & Marsiglia, 2001). This study examines the extent to which differences in reliance on commercial income exacerbates this trend, or not.

Competition

Nonprofit organizations across subfields experience rivalry and competition in pursuit of a variety of resources: donations, grants, contracts, staff, volunteers, board members, legitimacy—even customers (Brody, 1996; Tuckman, 1998). By all accounts, competition among nonprofit organizations is rising, and the extent of competitiveness in the environment for

NHSOs is related to resource dependencies and organizational strategies (Bush, 1992; Felty & Jones, 1998; Salamon, 2002; Tuckman, 1998). The intensified competition in the nonprofit sector stems from the increasing numbers of agencies vying for limited resources, shifting government funding, and the growing presence of for-profit organizations in human services subfields (Bush, 1992; Chetkovich & Frumkin, 2003; Dees, 1999; Frumkin, 2002a; Reisch, 2009; Skloot, 1988; Tuckman, 1998; Weisbrod, 1998).

As nonprofits have adopted business-like practices over time and for-profits have entered social service fields, competitive forces have caused sectoral boundaries to become increasingly blurred (Brody, 2003; Dees & Anderson, 2003; Gronbjerg, 2001; Kramer, 1985; Salamon, 1993; Tuckman & Chang, 2006). This inter-sector homogenization and competitive influence threatens to dampen the spirit of cooperation and participation traditionally found in the nonprofit sector. An emphasis on competition over cooperation can lead organizations to an insular mentality, and one in which stakeholder relationships can be seen as competitive or even threatening (Bush, 1992).

The consequences of a competitive environment for NHSOs have been described in different ways. In Chetkovich and Frumkin's (2003) study of the American Red Cross and its mission, competition in fee-based markets was described both as a positive force (e.g., promotes self-evaluation and focus on performance) and a negative one (e.g., competition engenders a competitive "business focus" that takes away from mission). Competition—for customers or donors—might also have the negative effect of eliminating subsidization of mission-related services by newly earned commercial income. In other words, increased resource investment in marketing and fundraising might siphon off earned income from commercial activities that might otherwise have supported programs.

The presence of for-profit service providers in the human service sector changes the dynamics of the task and resource environments for nonprofit providers. When for-profit companies enter traditional nonprofit service areas, they create competition for contracts, clients, and personnel (Alexander, 2000). Smith (2010) points out several advantages that for-profit providers have relative to their nonprofit counterparts: (1) much greater access to capital; (2) efficiencies associated with being part of a national chain (if applicable); and (3) quicker response time to new funding opportunities, especially compared to smaller community-based organizations (Dees, 1999). Nonprofits have responded to these perceived advantages by increasingly emulating their for-profit counterparts.

As mentioned previously, the entrance of for-profit social service providers in the human service sector is not a recent phenomenon. Although nonprofits were the primary beneficiaries of expanded government-funding of welfare programs in the 1960s, purchase-of-service contracts attracted a growing number of for-profits into the field (Salamon, 1993). With a renewed focus on private initiative during the Reagan years and again in the 1990s, nonprofits found themselves competing for grants and contracts with for-profits (Smith, 2002, 2010). For-profits began to enter fields more traditionally dominated by nonprofits, including child care, elderly services (e.g., home care), community care for the mentally ill and developmentally disabled, hospitals, drug and alcohol treatment, recreation, and education (Brody, 2003; Reisch, 2009; Smith, 2010).[11] In the 1980s and 1990s, for-profits accounted for much of the growth among hospitals, home health, day care, and social service providers (Aspen Institute, 2001). Welfare reform also created new opportunities for for-profits in the 1990s, especially in the areas of caseload management, job training and other human service provision where they could

[11] Smith (2010) also notes, however, that "most services that the public identifies as human services, such as child welfare, including foster care, emergency assistance, job training, welfare-to-work, and transitional housing, continue to be dominated by nonprofit organizations."

compete for government contracts (Aspen Institute, 2001; Frumkin, 2002a; Frumkin & Andre-Clark, 1999). Forcing nonprofits to vie against large for-profit firms with high capitalization, this trend sometimes displaced or altered the roles of nonprofit providers in the process (Aspen Institute, 2001).

Potential Benefits of Commercialization

Along with concerns about the potentially harmful effects of and risks involved with increased commercial activity in the nonprofit sector, a number of potential benefits to nonprofit involvement in the market have also been identified. Broadly, Dees and Anderson (2003) argue that the blurring of the nonprofit and for-profit sectors has the potential to increase the "independence" of the independent sector, suggesting that earned income provides more flexibility and autonomy than other forms of revenue. In 1999, The Aspen Institute's Nonprofit Sector Strategy Group held a special meeting to discuss the relationship between the nonprofit sector and the market. The group recognized the following as potential benefits of commercial activity:

> (1) a reliable flow of resources for the promotion of charitable purposes and the public good; (2) incentives for greater efficiency and innovation as a result of increased competition; (3) better targeting of services to client needs; (4) increased legitimacy for charitable activities resulting from association with the assumed efficiency of the market; (5) attraction of funds into charitable activities from donors committed to new enterprise approaches to social problem solving; and (6) possible greater accountability to the public through the adoption of

enterprise-type performance indicators and the "market test" (Aspen Institute, 2001).

According to Dart (2004a, 2004b), commercial activity by nonprofits leads to changes that include more attention to market discipline, market-focused social innovations, reduced cost structures, and (broadly) focus on the financial bottom line than normal in the nonprofit funding and service environment. Some argue that using fee-for-service charges or sales revenue are effective in generating funds to support (or cross-subsidize) programs that target disadvantaged populations but do not generate revenue (E. Brown & Slivinksi, 2006; Cooney, 2010). According to James (2003), commercial nonprofits use their profitable activities to subsidize their loss-making activities. She goes on to state that cross-subsidization enables [nonprofits] "to grow, to become more diversified, less dependent on government grants and private donations, therefore less at risk and more sustainable."

Studies have, in fact, shown that commercial revenue has been used to cross-subsidize services for low-paying and poor clients (Alexander, 2000; Kettner & Martin, 1996). In her study of 105 religious-based commercial ventures, Barbera (1991) found that income generation was rarely the primary objective or measure of success in the initiation and evolution of religious-based nonprofit enterprise. The purpose of the religious venturing was found to be mission-related outcomes (e.g., provision of services, economic development) (Barbera, 1991).

According to Weisbrod (1998), nonprofits that charge program fees may and do establish prices below marginal cost—even at no cost—for certain consumers, such as the homeless, schoolchildren, or indigent sick people. Charges for health or social services can be differentiated by family income so that needy clients are not excluded (James & Young, 2007). So-called "sliding scale" practices are common in the nonprofit sector.

Financial Sustainability

The main argument for greater reliance on commercial income is tied to the notion of increased financial sustainability and self-sufficiency. According to Dees (1999), nonprofit leaders view various forms of earned income as more reliable funding sources than donations and grants. Furthermore, commercial income has the benefit of minimal (if any) restrictions on its use (Dees, 1999; Frumkin, 2002a). So whereas a government grant or large individual or foundation gift might have specific deliverables or intended use guidelines, earned income streams can be used for overhead and general operating expenditures. In addition, many public and private grants (and some major individual gifts) require resource investments in evaluation and reporting. In Gronbjerg's (1993) case studies of medium-sized nonprofit social service and community development organizations, she found that nonprofit managers ranked fee income significantly higher than government grants and contracts as well as United Way support in terms of flexibility, ease of administration, and not forcing the organization into areas of little experience—therefore causing less mission drift.

Organizations that pursue commercial revenue may also improve their management capabilities, focusing more on information systems and financial consequences (Skloot, 1988). In addition, some funders may expect organizations to show that they can sustain themselves by initiating earned income activities (Skloot, 1988).

Although earned income tends to be considered a more reliable funding source than donations and grants, this point has been refuted (Dees, 1999; Weisbrod, 2004). De Vita and Twombly (2003) found that NHSOs in Pittsburgh that relied heavily on client fees were no more able than other groups to avoid financial shortfalls (although client fees represented the single most important source of income for human service providers). In fact, private dollars and government funding were found to provide financial stability in the human service sector (De Vita & Twombly, 2003).

Efficiency, Strategic Management, and Accountability

Some scholars have downplayed the threats of "mission drift" among commercial nonprofits, citing evidence that commercial activity enhances an organization's mission and encourages increased efficiency, more strategic management, and higher levels of accountability. Froelich (1999) points out that empirical evidence of goal displacement is limited, and that earned income appears to provide flexibility and ability to support new or existing programs while serving more clients. She goes on to cite studies by Young (1998) and Adams and Perlmutter (1991) that show that commercial activity contributed to mission and that activities incompatible with mission were consciously avoided. In addition to examining organizational reliance on one form of revenue or another, others have explored how of an agency's revenue diversity can impact financial solvency. Chang and Tuckman (1991, 1994) found that diversified revenue sources are more likely to be associated with a strong financial position and greater stability than are concentrated revenue sources.

Another argument for increasing commercial activity is that NHSOs may adopt more efficiency practices and strategic management and accountability tactics. Nonprofits have been criticized for their failure to adopt modern management techniques (Steinberg, 1990). If commercial NHSOs are indeed more focused on a financial bottom line—and perhaps experiencing competition from for-profits—organizations might very well increase their efficiency and strategy efforts (Aspen Institute, 2001).

Dees and Anderson (2003) state that one of the potential benefits of commercialization is improved accountability and better "market discipline." If clients or business customers are paying for services and products, they may be more likely to hold the organization accountable by way of customer feedback, complaints, or threatening to seek services elsewhere. Commercial nonprofits might also be more apt to focus on strategic management processes (e.g., strategic planning, market analysis, implementing new cost control systems) and program evaluation. Commercial NHSOs may adopt enterprise-type performance indicators as another example of increased accountability (Aspen Institute, 2001).

One potential problem with commercialization may simply be a case of public misperception. More clients and higher fee and sales revenue may convey an impression to donors of increased financial sustainability and less need for private contributions, which may in turn deter other forms of support (Anheier, 2005; Brody, 2003; Kingma, 1995; Schiff & Weisbrod, 1991). Scholars have debated whether earned income crowds out donations or, inversely, encourages individual giving (Brody, 2003; Tuckman & Chang, 2006). Donors may also be averse to the idea that commercial income may undermine the agency's mission (Brody, 2003).

Empirical research in this area remains scarce. In Kingma's (1995) study of the American Red Cross—one of the world's most recognizable nonprofit "brands" and an exemplar of commercial activity—he found that profits from fees charged for classes and trainings (e.g., first aid, CPR) by local chapters did in fact crowd out or displace donations. While charity work for the Red Cross is mostly paid for by donations, first aid training and other services generate revenue for other local programs (Frumkin, 2002a). Okten and Weisbrod (2000) more broadly analyzed nonprofits across seven industries, concluding that there was no evidence of crowding out from government grants or program services. Some studies have shown that commercial income may encourage individual giving in so far as donors feel that their gift is helping to a launch a revenue-generating venture that will eventually become self-sufficient (Brody, 2003; Dees & Anderson, 2003).

Summary

Despite a growing list of studies that have examined commercialization in the nonprofit sector, several overarching limitations illustrate the need for further empirical research in this area. Many of the studies use single cases or small samples to derive conclusions and theoretical assertions or assumptions (Adams & Perlmutter, 1991; Cooney, 2006; Gronbjerg, 1993; Guo, 2006; Haycock, 1988; LeRoux, 2005; Toepler, 2004; Weisbrod, 1998; Young, 1998). While these studies identify key issues facing organizations, they are not generalizable to any larger population of organizations. Several of the studies (Guo, 2006; Massarsky & Beinhacker, 2002) look solely at organizations that are involved in commercial activities. Without a non-commercial reference group, one cannot compare those that do and do not rely on such income.

Just as the overall nonprofit sector breaks down into disparate subfields (e.g., arts and culture, education, health, human services, etc.), the human services field contains many different agency types as well. The primary activity area of the organization is an important characteristic that may be relevant with respect to organizational outcomes and revenue reliance. Organizations that provide similar services are more likely to compete for common revenue streams, will be embedded in the same interorganizational networks, and will be subjected to similar institutional pressures. Because all organizations obtain resources from their respective environments, paying attention to service areas is a way to control for environmental fluctuation across human service subfields. For example, if Substance Abuse and Mental Health Services Administration (SAMHSA) funding is drastically cut from one year to the next, mental health and substance abuse service providers may experience a resource impact not felt in other subsectors.

In addition, depending on the extent to which certain human services are deemed more public than others, there may also be differences in terms of reliance on commercial revenue. Evidence suggests that the more public a nonprofit's services (i.e., the more accessible the service is and the more broadly the service is targeted), the greater the proportion of revenues it generates through donations (Fischer, et al., 2007). Several commercialization studies fail to consider these important differences among human service providers. Perhaps certain subfields are inherently more reliant on earned income as part of their traditional business model.

By addressing some of the gaps in the current literature, this study seeks to help broaden the dialogue around commercial activity among NHSOs. Especially salient during a time of economic downturn, in which resource constraints have severe impacts on nonprofit organizational sustainability and self-sufficiency, commercial activity is gaining more attention and traction. Nonprofit managers, funders, policymakers, and students who are pursuing careers in social work administration or nonprofit management, increasingly require knowledge of commercial activity and the potential impacts—both positive and negative—that earned income can have on organizations.

The following chapter reviews in greater detail the relevant theoretical perspectives that have influenced the literature on nonprofits and commercialization—and that guide my study approach.

CHAPTER THREE: THEORETICAL FRAMEWORK AND HYPOTHESES

To better understand and help explain organizational phenomena in nonprofit settings, scholars have turned to multiple theoretical perspectives from a variety of disciplines, including economics, sociology, history, law, and management science (Ben-Ner & Gui, 2003; Galaskiewicz & Bielefeld, 2003; Helm, 2004). This chapter presents the theoretical approaches that help address the main research questions in this study and influence a set of hypotheses about the impact of commercial revenue on NHSOs.

Organizational theories examine the relationship between organizational structure and the political, resource, institutional, and task environments, and look at what influences organizational behavior, growth, and decline (Anheier, 2005; Garrow & Hasenfeld, 2010). Over the years, scholars have helped summarize the key theoretical perspectives that aid in the understanding of human service organizations (Galaskiewicz & Bielefeld, 1998; Garrow & Hasenfeld, 2010; Hasenfeld, 1992, 2009; Schmid, 2010; Scott, Ruef, Mendel, & Caronna, 2000; Tucker, Baum, & Singh, 1992). Studies by Galaskiewicz and Bielefeld (2003), Cooney (2006, 2010), Garrow (2008), LeRoux (2005), Salamon (1995), and Scott et al. (2000) have more directly applied relevant theories to the study of NHSOs. And although some have focused more pointedly at commercial income, there has been limited exploration of nonprofit commercial activity from the perspective of organizational theory (Cooney, 2006, 2010; Galaskiewicz & Bielefeld, 1998; Helm, 2004; LeRoux, 2005). This section reviews the major organizational theories that influence my approach to better understanding reliance on program fee income among NHSOs.

Commercialization and program fee reliance among human service organizations are complex phenomena with multiple antecedents and consequences. Applying a theoretical framework to better understand the relationship between commercial income and certain organizational variables also proves to be a complex task, although a number of frameworks help in making sense of the multiple processes at play. Generally, I draw from two theoretical strands in the formation of my hypotheses: resource dependence theory and institutional logics. Recent theoretical work has begun to combine these two theoretical perspectives, highlighting the relevant areas of overlap from which this study draws insight (Knutsen, 2012).

Both theoretical approaches recognize the importance of the environment (or external conditions) and those complex elements (e.g., collaborators, competitors, resources, resource providers, policies, legitimators, institutional systems, norms, beliefs, culture, etc.) that exist outside of the organization and that have an impact on internal strategies and norms. Each category of environmental actor contains multiple layers and subcategories, adding to the complexity of organizational studies. For instance, resource providers includes individual donors, private foundations, corporations, government agencies, paying customers, among others—all of which have disparate funding requirements, stakeholder mandates, and political and institutional pressures of their own. This study seeks to examine commercialization among NHSOs as both an internally derived strategy to increase resource acquisition and also as an externally influenced adoption of market principles (or market logic).

Resource Dependence Theory

As described in the previous chapters, commercialization illustrates widespread organizational adaptation to environmental conditions (e.g., reduced government grants, greater competition with both nonprofit and for-profit service providers, increased service demands, louder calls for efficiency and accountability practices, etc.). These conditions denote the importance of understanding adaptive strategies among organizations and the processes by which organizations adjust their routines and structures to fit often turbulent environmental conditions (Archibald, 2007).

Adaptive theoretical approaches suggest that organizations are not passive recipients of environmental cues and pressures, but that they—particularly large, established groups—can in fact influence their environment (Schmid, 2009). Organizational survival depends on the extent to which they can learn from the environment and recognize and adequately address risks and opportunities (Schmid, 2009). Managerial planning tools such as Strengths Weaknesses Opportunities Threats (SWOT) analysis are prime examples of proactive agency strategies used to contend with environmental uncertainty (Anheier, 2005). Resource dependence theory portrays organizations as rational actors that proactively respond to the external environment in pursuit of resources (e.g., funding, legitimacy, power) to ensure survival. Broadly, resource dependence theorists assert that organizations draw influence from those externalities that provide critical resources.

Resource dependence falls within the broader framework of political economy theory, a highly relevant theoretical strand in the realms of commercialization and human service organizations. Political economy theories recognize the importance of two crucial types of resources required to ensure organizational sustainability and growth: (1) legitimacy and power (e.g., political resources) and (2) production (e.g., economic—money, clients, personnel) (Garrow & Hasenfeld, 2010; Schmid, 2009; Wamsley & Zald, 1976). These resources possess intrinsic importance for nonprofit organizations, as they influence organizational ability to grow, generate revenue, attract quality staff members, and draw attention to their mission.

At the core of the political economy perspective is organizational dependence on resources controlled by a variety of environmental actors, and the level of influence that this dependence assumes (Pfeffer & Salancik, 1978). The U.S. welfare state, because of the late development of national social welfare policies, and a general public reluctance to increase social spending, reflects a broader political economy in which private organizations (e.g., nonprofits) play an integral role in providing public goods (Gronbjerg, 1993). Political and ideological shifts over time have influenced the tide of social policies in the U.S., creating environmental uncertainty for NHSOs along the way. The ebb and flow of social policy trends and local and federal programs that sufficiently provide public assistance (e.g., welfare), economic opportunity (e.g., job creation), and other services leads to fluctuations in both demand for nonprofits and resource availability. Organizations, in turn, craft strategic responses—via internal and external tactics—to cope with political, economic, and ideological trends.

Within the political economy perspective, resource dependence theory states that external elements exhibit greater control and influence over organizations the more organizations depend on resources controlled by those external elements (Garrow & Hasenfeld, 2010; Pfeffer & Salancik, 1978). This theory is useful in understanding the relationships between nonprofits and their respective funding streams (Eikenberry & Kluver, 2004). Resource dependence theory imagines a free-market environment in which organizations act as rational entities competing for resources and survival hinges upon the ability to acquire and maintain those resources (Alexander, 2000; Pfeffer & Salancik, 1978). Due to resource scarcity and uncertainty in the environment, the resources that nonprofits rely on are often inadequate, unstable, and insecure, forcing organizations to adapt to environmental conditions and to the requirements of the existing funder (e.g., paying clients, government sources, etc.) (Froelich, 1999).

As Anheier (2005) states, few nonprofits are resource independent, and therefore organizations become interdependent with their environments. With increased emphasis on business-oriented practices among NHSOs, funders (mainly institutional, but not entirely exclusive of individual supporters) expect nonprofits to professionalize management, adopt more strategic approaches, and to demonstrate measurable outcomes while keeping costs low (i.e., adhering to efficiency standards). In short, a number of changes in funder expectations have reconfigured the rules for organizational survival (Alexander, 2000). Resource dependence theory has become considerably relevant in recent years given the increased need for earned income among NHSOs due to government budget cuts (Clarke & Estes, 1992; Helm, 2004).

Resource dependence assumes that nonprofit managers—although influenced by environmental conditions and forces—engage in specific survival strategies. This is to say that nonprofit decision-makers are considered rational actors who are making conscious strategic decisions based on premeditated responses to environmental stimuli. The influence of ideologies, values, norms, ethics, and the like are not weighed heavily in the resource dependence model, a somewhat problematic omission in the context of human service organizations. Resource dependence theory also suggests that resource structures affect how organizations form—or choose not to form—relationships with other agencies (Gronbjerg, 1993). Among commercial NHSOs, heightened pressure to attract a fee-paying clientele might cause higher instances of competition and lower rates of interorganizational collaboration.

Resource dependence theory would argue that the use of certain strategic managerial and political tactics depends upon where an organization draws its resources (Galaskiewicz &

Bielefeld, 1998). NHSOs that rely on commercial income would presumably employ strategies to ensure a stable flow of income from clients or business ventures. Ott (2001) suggests that the longer a nonprofit relies extensively on commercial forms of income, the more it will tend to look, think, and act like a for-profit company.

Just as an agency would need to enact certain strategies to secure government contracts, an organization may need to implement certain strategies to generate commercial revenue (Garrow & Hasenfeld, 2010). In other words, one possible strategy for nonprofits is to adopt and adapt the management practices of for-profit businesses (Hammack & Young, 1993a). In terms of pursuing revenue via fees and charges, organizational strategies might include (a) offering services to a clientele more likely to have the ability to pay (e.g., white, English-speaking, etc.); (b) competing against nonprofits and for-profits for clients, staff, and other resources; and (c) implementing any number of business-like accountability practices or management technologies.

Resource Dependence Hypotheses

My first set of hypotheses stem primarily from resource dependence theory in that I expect sample NHSOs to demonstrate the use of certain organizational adaptive strategies associated with relying on fee income. I expect the share of fee income to be a negative predictor of services to non-white and non-English speaking clients—two client categories that, in this context, are used as proxies for low-income or generally less advantaged populations. These hypotheses suggest that NHSOs, in response to pressures from the resource environment, seek out particular target populations in an effort to maximize revenue generation.[12] One latent

[12] When examining the expected relationship between the independent and dependent variables, within the context of these hypotheses it is important to note the potential for reverse influence. In other words, while I have chosen to explore the impact that fee income has on a number of dependent variables, assumptions about how the dependent

assumption here is that when NHSOs increase their reliance on fee income, they are not taking steps to ensure that their target populations resemble those of other organizations that rely more heavily on other forms of revenue. In other words, if the hypotheses are rejected, results might suggest that as NHSOs rely more on fees, they are also addressing issues of service access and affordability.

> *H1: The greater revenue from fees and charges as a share of total organizational revenue, the lower the likelihood that organizations will have a high percentage (50% or more) of non-white clients in the organization's total clients.*

> *H2: The greater revenue from fees and charges as a share of total organizational revenue, the lower the likelihood that organizations offer non-English language services.*

In addition, I expect fee-reliant nonprofits to more aggressively compete not only with other nonprofits, but with for-profits as well. Several studies cite the prevalence of competition between nonprofits and both other nonprofits and for-profit businesses. As these tendencies help define the nature of the nonprofit sector and how the sector is evolving, I am interested in the differences between fee-reliant NHSOs and non-fee-reliant NHSOs with respect to both their reported levels of collaboration and competition. Since generating revenue from fees requires strategies to acquire—and retain—a paying client base, I anticipate less focus on collaboration and higher reports of competitive practices. These findings would appear to be consistent with the activities of those organizations relying more on fees. I expect that the share of revenue from fees and charges will be negatively associated with rates of collaboration while positively predicting rates of competition with both nonprofits and for-profits.

> *H3: The greater revenue from fees and charges as a share of total organizational revenue, the lower the level of collaboration with other nonprofits.*

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variables might influence reliance on fee income are equally important. This issue is further articulated in Chapter Six.

H4: The greater revenue from fees and charges as a share of total organizational revenue, the higher the instances of competition with other nonprofits (H4a) and with for-profits (H4b).

Accountability pressures from public and private funders and the increase in competition among nonprofits have placed new emphasis on program evaluation, organizational outcomes, and benchmarks (Aspen Institute, 2001; Dees & Anderson, 2003). As funders and oversight agencies request more information about program outcomes, nonprofits increasingly must seek and show evidence of their performance and achievements (Anheier, 2005). Because commercial nonprofits are more dependent on fee-paying clients, a group who presumably places value on knowing the track record of a potential service provider, I expect that fee-reliant NHSOs would report greater levels accountability practices (e.g., data collection and outcomes tracking, cost analysis, etc.) as compared to other nonprofits. While government and private institutional funders, and to some degree high net-worth individuals, are increasingly interested in nonprofit performance data and outcomes, the assumption here is that paying clients demand greater accountability than other funders.

H5: The greater revenue from fees and charges as a share of total organizational revenue, the lesser the use of accountability tactics.

From an efficiency standpoint, I also argue that the share of income from fees and charges will be positively associated with the use of strategic management technologies (e.g., minimizing costs, analyzing markets, and reorganizing staff structures)—all strategies that NHSOs would employ to maximize revenue generation through charging fees. The adoption of these technologies, as is the case with increased accountability measures, illustrates the influence of the resource environment, as organizations seek strategies that will lead to greater resource acquisition.

H6: The greater revenue from fees and charges as a share of total organizational revenue, the greater the use of strategic management technologies.

Institutional Logics

The concept of institutional logics was developed in the wake of the institutional theories of the 1970s, and was introduced by Alford and Friedland (1985) to describe the contradictory practices and beliefs inherent in the institutions of modern western societies (Thornton & Ocasio, 2008). The concept is best understood within the broader context of institutional theory, which asserts that organizations implement changes in their formal structure in order to become more aligned with the changing institutional environment of "rationalized myths" (DiMaggio & Powell, 1983; Meyer & Rowan, 1977, 1983; Powell & DiMaggio, 1991, 2001; Schmid, 2009; Scott, 1994, 2004; Tolbert & Zucker, 1996; Zucker, 1987, 1988, 1991). These so-called myths dictate sources of legitimacy, and in turn organizations attempt to conform to these practices and ideologies in order to reap the potential benefits of increased legitimacy. The institutional environment is composed of regulative, normative, and cultural-cognitive structures that operate to provide coherence, meaning, and stability in a given field (Scott, 1994). Key institutions include government, professions, industries, and the market (Garrow & Hasenfeld, 2010).

Commercialization within this context can be explained—at least in part—as a diffused phenomenon that has expanded not just due to the nature of the resource environment, but also because of what appears to be a conferred legitimacy upon commercial organizations on behalf of multiple stakeholders. Legitimacy has been described as an important resource that allows nonprofits to maintain funding relations and healthy public images (Galaskiewicz & Bielefeld, 1998). Legitimacy is in some ways synonymous with an organization's "reputational capital" and is a valuable asset that has the potential to impact an agency's short- and long-term success

(Anheier, 2005; Fombrun, 1996; Galaskiewicz & Bielefeld, 2000; Hansmann, 1989; Tuckman & Chang, 2006). Suchman (1995) defines legitimacy as a "generalized conception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions" (Schmid, 2009). The diversity and multiplicity of stakeholders from which nonprofits must derive legitimacy creates political uncertainty in the environment and may also cause internal dissensus (Stone, et al., 2001).

In many ways, the institutional environment has over time legitimized the use of commercial tactics in the nonprofit sector—even among organizations serving low-income clients. Because of the resource limitations in the sector, coupled with the massive growth in the population of nonprofits, pressures have grown for organizations to use earned income as a logical and sometimes necessary means to sustain themselves. During a period of government retrenchment in social services in the 1980s, the Reagan administration called for nonprofit "self-reliance," and suggested that commercial activity among nonprofits was indeed a viable approach (Skloot, 1986). In the early and mid-1990s, welfare reform created institutional change that favored commercial activity and encouraged nonprofits to become more businesslike.

In addition, a nonprofit's ability to generate its own revenue can be attractive to those donors and public agencies that applaud revenue diversification and self-sufficiency. However, as was discussed in Chapter Two, some stakeholders have a less favorable view of commercial activity—and in some cases commercial income has negatively impacted legitimacy or reputation, resulting in less support via other forms of revenue.

Because legitimacy often appears to have been conferred on organizations that show business-like qualities, leaders in the field are pressured to adapt agencies to the norms, rules, regulations, and social conventions generated by the environment (Galaskiewicz & Bielefeld, 2003). As nonprofits are encouraged by institutional funders to act more entrepreneurial and innovative in order to survive in an ever more mixed market economy, they are compelled to add more business representatives to their boards and increase professionalism among management staff (Ott, 2001).

As stated earlier, institutional rules function as myths which organizations adopt in order to gain legitimacy, resources, stability, and increased chances for survival (Meyer & Rowan, 1977). Organizations operating primarily under the influence of market pressures can be said to compose a distinct area of institutional life—or organizational field (DiMaggio & Powell, 1983). These organizational fields (defined as the "key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products") create certain accepted norms that structure organizational behavior in a given industry, sector, or niche (Cooney, 2006; DiMaggio & Powell, 1983).

Friedland and Alford (1991) posit that the various institutional orders (e.g., capitalism, state bureaucracy, families, religion, etc.) have central logics that influence organizing principles and the language used to self-identify (Thornton & Ocasio, 2008). These institutional logics shape rational and mindful behavior, and are described as "norms, ways of thinking and rules that constituted their moral sentiments… and structure the actions of individuals and groups" (Haveman & Rao, 1997). Thornton and Ocasio (2008) identify a core meta-theory that underlies the various definitions of the concept, citing the importance of social and institutional context not only for understanding organizational behavior but for providing opportunity for agency and change. Increasingly, human service organizations have experienced a shift from the dominant institutional logics of care, equal access, family, and democracy—logics viewed as innate to nonprofits—to an institutional logic of the market and personal responsibility (Hasenfeld, 2010; Knutsen, 2012).

The advent of the New Public Management (NPM) movement illustrates the influence of a market logic. In its idealized form, NPM embraces several themes: (a) reorganizing public organizations into product and cost centers; (b) shifting toward competition within and between public organizations and the private sector; (c) adopting corporate management strategies; (d) seeking alternative and less costly modes of service delivery; (e) adopting "hands-on-management;" (f) using explicit and measurable standards of performance; and (g) using explicit output measures (Hasenfeld, 2010; Hood, 1995). This market logic exerts pressures on human service providers to develop organizational forms that emphasize efficiency, enhance their competitive position, and mobilize resources through new mechanisms such as contracting and business ventures.

A series of gradual shifts in the dominant institutional logics that influence and shape organizational behavior have been traced back to the 1800s. A prime example is Rosner's (1982) account of the transformation of hospitals from small community-based institutions to large, bureaucratic, fee-based, customer-reliant enterprises between 1885 and 1915. Another example comes from the period following the Great Depression, when social work began to shift toward professionalization and away from an orientation toward the poor (Cloward & Epstein, 1965; Salamon, 1995).

This study seeks to gain a better understanding of the impact of a market logic within the realm of nonprofit human services. My analysis rests on the assumption that organizations across human service subsectors (e.g., shelter and housing, job training, etc.) differ with respect to the dominant institutional logic of the agency. Indeed, some organizations contend with multiple or competing logics, further complicating internal and external strategies (Knutsen, 2012). Due to the market value of their respective services, certain fields, including mental health, substance abuse, and child care, are better suited for market success and would presumably be better able to adopt a market logic. It should be noted that institutional pressures emerge from the market via a host of institutional actors, including regulatory agencies, funding organizations, other human service organizations, academic and research organizations, and professional associations (Hasenfeld, 2010).

Institutional Logics Hypotheses

Influenced by insights from an institutional logics perspective, I posit a series of hypotheses about the association between program fees and charges and a number of traditionally nonprofit characteristics—diversity, voluntarism, and engagement in advocacy. These outcome measures are less illustrative of adaptive strategies carried out in order to maximize fee income, but rather seek to highlight the potential influence of a market logic.

While nonprofits are touted as representing the needs of underserved and underrepresented populations, some argue that reliance on revenue from fees and charges may negatively impact the organization's diversity among paid staff (including executive leadership) and board members. Contrary to this perspective, influenced by market logic forces, I argue that fee-reliant NHSOs will have higher instances of non-white staffs—in the interest of employing a lower-cost workforce. The assumption here is that, even if fee-reliant nonprofits tend to be less diverse, efforts to minimize costs will outweigh orientation toward diversity.

> *H7: The greater revenue from fees and charges as a share of total organizational revenue, the higher the likelihood of organizations employing a high percentage (50% or more) of non-white staff in the organization's total employees.*

In terms of board membership, I argue that fee-reliant NHSOs will have a higher share of non-white board members than NHSOs that rely more heavily on donative income and government and foundation grants. This stance may seem inconsistent with a commercial organization's aim to maximize funding—and therefore attract a well-resourced board. However, I assume that organizations that rely more on individual donations and private grants will be less likely to pursue ethnically diverse boards. Whereas a board may often be called upon to assist with private fundraising, NHSOs that rely on program fees may be less likely to rely on the board for support. When it comes to staff leadership, however, I do assume that program fee revenue lowers the likelihood that the chief executive will be a minority. In line with the assumption that fee-reliant NHSOs are less likely to serve non-white clients, I assume that these organizations will be less prone to employ non-white executive leadership.

> *H8: The greater revenue from fees and charges as a share of total organizational revenue, the higher the likelihood that organizations will have a high percentage (50% or more) of non-white board members in the organization's total board members.*

> *H9: The greater revenue from fees and charges as a share of total organizational revenue, the lower the likelihood that the organization will have a non-white executive.*

Although nonprofits have been pressured to recruit more professionalized management, commercial nonprofits also experience pressure to keep costs low (see H7). For nonprofits involved in commercial activity, as a result of market pressures to behave more efficiently and business-minded, I expect the share of revenue from fees and charges to predict less inclination to pursue high-priced talent and thus lower levels of professionalization (i.e., lower percentages of staff with college degrees).

> *H10: The greater revenue from fees and charges as a share of total organizational revenue, the lower the likelihood that organizations will have a high percentage (50% or more) of staff members with college degrees.*

Because of their reliance on for-profit business models or market-influenced revenue generation strategies, fee-reliant NHSOs may possess a lesser spirit of voluntarism—a traditionally and historically distinct feature of nonprofit organizations. Although one might assume that commercial nonprofits would seek to maximize volunteer labor in order to keep costs low, organizations that rely on program fees may also have fewer needs for volunteer labor. Their resource environment demands efficient program service delivery that will result in income from fees and charges—and I assume that these groups will have less use for volunteers involved with private fundraising. While resource dependency plays a role in predicting how fee reliance is associated with voluntarism, an institutional logics framework would suggest that commercialized NHSOs generally devalue voluntary activity. From this perspective, the role and importance of volunteers becomes less critical when motivations are more focused on generating market income.

> *H11: The greater revenue from fees and charges as a share of total organizational revenue, the lower the likelihood that organizations will rely on volunteer labor.*

Many argue that nonprofit organizations should seek to help the most disadvantaged and empower the most disenfranchised members of society. According to Frumkin (2002a), this demand for nonprofit commitment to these causes leads to a set of prescribed activities, including greater advocacy work within the sector, and the empowerment and mobilization of those on the lower rung of the socio-economic ladder. Nonprofits are expected to help give voice and opportunity to the underserved and those who have been marginalized by the market economy and the political process. NASW recognizes the promotion of public participation as one of the field's ethical responsibilities to the broader society. The Code of Ethics urges that social workers help "facilitate informed participation by the public in shaping social policies and institutions" (National Association of Social Workers, approved 1996, revised 1998). Nonprofits play an important role in providing a setting for such facilitation, on the part of the social worker, and participation, on the part of clients and the community.

So how does the pursuit of fee revenue impact advocacy? Dees and Anderson (2003) suggest that there is a decline in advocacy by nonprofits as a result of increased business activity. Ryan (1999) asks whether advocacy work is compatible with successfully competing in the marketplace. I expect the share of revenue from fees and charges to predict less involvement in advocacy activities, as a market logic would place less emphasis on these efforts.

> *H12: The greater revenue from fees and charges as a share of total organizational revenue, the lower the likelihood that organizations will engage in advocacy activities.*

The theoretical approaches discussed in this chapter provide useful tools for attempting to answer the study's research questions and test the posited hypotheses. These theoretical approaches share a common emphasis on the importance of the environment and the agency-environment relationship. Because NHSOs operate in uncertain environmental conditions, rely on numerous stakeholder groups, and are influenced by an array of funding sources and institutional pressures, these theories become highly relevant. Resource dependence theory and institutional logics—in combination—provide useful perspectives for gauging the impact of commercial activity among NHSOs.

Figure 3-1 depicts the independent, dependent, and control variables that I include in my statistical models. The next chapter will discuss the variables in greater detail, in addition to the data and methodology.

Figure 3-1.

Model Variables

Key Independent Variable

Revenue from fees and charges (%)

Control Variables

Size (revenue)
Age
Revenue from government sources (%)
Non-white residents in poverty (%)*
Non-English speaking residents (%)*
College-educated residents (%)*
Primary organizational activity
- Advocacy
- Basic needs
- Child care
- Clinical services
- Crime and legal
- Individual assistance
- Youth development
- Special needs services

Dependent Variables

50% or more non-white clients
Non-English language services
Collaboration
- Any
- Some

Nonprofit competition
- Any
- Some

For-profit competition
- Any
- Some

Very high accountability tactics
Management technology scale
- Any
- High

50% or more non-white employees
50% or more non-white board members
Non-white executive
50% or more college-educated staff
Volunteer labor
Advocacy involvement

*when applicable

CHAPTER FOUR: DATA, METHODS, AND VARIABLES

This section describes the study sample and data, analytic methods, and variables that are analyzed in order to test the hypotheses introduced in Chapter Three.

Sample

This study analyzes data collected in the summer of 2002 by researchers at the UCLA Center for Civil Society—a research center in the UCLA Luskin School of Public Affairs focusing on local and international issues affecting the nonprofit sector and civil society more generally. The Los Angeles Survey of Human Service Nonprofits (LANP) incorporated the first representative sample survey of NHSOs in LA County. Initial descriptive analysis of the survey data is contained in a report by Mosley, Katz, Hasenfeld, and Anheier (2003). A full copy of the survey can be found in Appendix A.

Data Sources

To create the original survey sample, organizations were identified from five sources in order to approximate the universe of human service nonprofits in LA County. The largest source was the Internal Revenue Service (IRS) list of registered 501(c)(3) organizations, with financial information added from the organizations' most recently filed Form 990[13] (when available). The second largest source was the California Secretary of State (SOS), which was supplemented with financial information from the Registry of Charitable Trusts (RCT) (when available). These two databases comprise all of the legally registered human service nonprofits in the county.

[13] The IRS Form 990, titled "Return of Organization Exempt from Income Tax," is required by the IRS to be filed annually for nonprofits (with the exception of religious organizations) with at least $25,000 in total revenue. The Form 990 is sometimes misrepresented as a "tax return" for nonprofits, but the form is strictly informational.

Additional efforts were also made to ensure that smaller, more informal groups were included in the universe. Databases used by INFO LINE LA, The Rainbow Resource Directory, and the California Office of Statewide Health Planning and Development (OSHPD) were also included (see Appendix B for a list and description of each of the data files that were merged together).

After the five datasets were cleaned to ensure that they included only organizations in LA County and only NHSOs, they were merged together, using names and federal and state ID numbers. They were then cleaned of duplicates to create a close approximation of the universe of NHSOs in LA County (though undoubtedly still lacking some small, informal organizations). Through this process, approximately 5,300 NHSOs were identified in the county, and were used as the sampling frame. Table 4-1 provides a breakdown of sample organization sources.

Table 4-1.

*Representation of Datasets in Sampling Frame, Sample, and Completed Dataset**

Datasets**	Share in Frame (%)	Share in Sample (%)	Share in Completed (%)
IRS datasets (BMF, Core)	52	59	60
California datasets (SOS, RCT)	51	56	55
INFO LINE LA	25	23	35
The Rainbow Directory	31	29	44
OSHPD	1	1	2
N	5,300	3,009	707

* The sum of numbers and percentage of cases by dataset exceeds 100% due to overlap between datasets—many organizations appear in more than one dataset.

** Appendix B lists and describes each of the data files.

Organization Types

Nonprofit human service organizations were defined as those public charities that offer services that promote individual social and psychological well-being.[14] Strictly medical or educational organizations were excluded.[15] Organizations were selected if they fell under the following NTEE Core Codes[16] defined as falling broadly under the banner of human services:

B Education
B06 Student Services

E Health Care
E08 Patient and Family Support Programs
E12 Rehabilitation Services
E13 Reproductive Health Programs

F Mental Health and Substance Abuse
All subcodes

I Crime and Legal Programs
I01 General/Other
I02 Correctional Systems Programs
I03 Crime Control and Prevention Programs
I04 Crime Victims Programs

J Employment
All subcodes

K Food, Agriculture and Nutrition
K01 General/Other
K03 Food Programs
K04 Hunger Action Programs
K05 Nutrition Programs

L Housing

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[14] It should be noted that the organizations in this study are 501(c)(3) public charities. Another notable segment of nonprofits—501(c)(4) organizations—were excluded from the sample because they tend not to provide direct services and rely on slightly different forms of revenue generation. Although these organizations are deemed "social welfare organizations" by the IRS, they tend to serve a narrow membership base rather than a broad constituency.
[15] These organizations were excluded because they—particularly hospitals and institutions of higher education—employ funding strategies that are generally much more commercial in nature than human service agencies.
[16] Please note that while education and health nonprofits were generally excluded from the sample, a small number of education and health categories—those that more closely resemble human service organizations—were included in the sampling frame.

L01 General/Other
L02 Emergency Shelter Programs
L05 Housing Social Issues
L06 Housing Support Programs

O Youth Development
All subcodes

P Human Services
All subcodes

Q International, Foreign Affairs and National Security
Q06 International Relief Programs

R Civil Rights, Social Action and Advocacy
R01 General/Other
R03 Civil Rights Programs

Using the NTEE Core Codes ensures heterogeneity among service providers in the sample. Accordingly, these codes will also be used to control for variation across nonprofit subsectors in my statistical analyses (see variable descriptions on page 91 and Appendix F).

Sampling Procedure

The final dataset of all those identified NHSOs in LA County contained revenue data on 30.5%[17] of the organizations, telephone numbers for 36.0% of the organizations and names and addresses for all. By geocoding sample organizations' addresses in a geographic information system (GIS) map, U.S. census data was analyzed (at the census tract level) and attributed to each organization based on its location.

In order to ensure all parts of the large county were represented, as well as all types of nonprofits, a stratified random sample of these organizations was selected for the survey.

[17] This relatively low percentage of organizations with revenue data illustrates the fact that the majority of nonprofits are very small in size and therefore are not required to file a Form 990 (making revenue data much harder to obtain).

Stratification was done by organizational revenue and location in the county. The revenue stratification had four levels: $650,000 and above, $130,000 to $649,999, below $130,000, and unknown. These revenue categories were chosen so as to best represent the approximate universe of NHSOs in the county.

Location was also split into four groups: (1) the main part of the City of Los Angeles, including the corridor from Santa Monica through downtown Los Angeles to Pasadena; (2) the South Bay, including Long Beach and San Pedro; (3) the San Fernando Valley and north, including the Antelope Valley; and (4) the far eastern part of the county bordering San Bernardino and Riverside counties, including Pomona and Claremont. After omitting organizations for which no contact information or revenue data was available, a final sample of 3,009 organizations was randomly selected from stratified groups.

Interviews

To ensure the best possible response rate, researchers enlisted trained professionals to conduct telephone surveys in the summer of 2002. The survey was designed to last about an hour, and to be conducted with the executive director or CEO of the organization. For organizations where the executive director was not available, callers spoke to the person second in command. For the 64% of the sample who did not have a telephone number in the dataset, numbers were traced through reverse telephone directories, the GuideStar online database, Internet search engines (e.g., Google), and local directory assistance. If a phone number was not found after going through this exhaustive search process and the advance letter that was sent to the listed address was returned as undeliverable (all organizations in the sample were sent a packet of materials, including an advance letter informing them of the project and their selection, a letter from the UCLA Center for Civil Society, and a letter from United Way of Greater Los Angeles encouraging their participation), they were considered “defunct” or “out of business” and were removed from the sample. They were also considered “defunct” or “out of business” if the Secretary of State’s Office was currently reporting them as “suspended" or "dissolved.”

The final dataset of the universe of organizations and thus, the final sampling frame, did end up containing some errors, mostly due to flaws in the original datasets used to collect information. This resulted in a sampling frame of which 20-25% of organizations were deemed ineligible. Organizations were considered ineligible if: (1) they had moved and were now located outside of LA County; (2) they were not a 501(c)(3); (3) they were a program of a larger 501(c)(3) rather than an independent organization; (4) they were a private foundation, often discovered because they file a 990-PF rather than a 990 or 990-EZ; (5) they were a religious congregation; or (6) they were not a human service organization.

The final number of eligible organizations interviewed was 707, equating to an overall response rate of 53%, taking into consideration ineligible organizations and those that were out of business when contacted. After additional data cleaning to remove organizations that were found to be duplicates or ineligible after completion of the survey, the final sample size was 639.

Methods

The analytic methods that I incorporate to test my hypotheses accord with the nature of the data being analyzed—cross-sectional data from the LANP survey responses. Due to the form of my dependent variables (described later in this chapter), I employ a series of logistic regression analyses in order to identify how revenue from fees and charges impacts NHSOs. My analyses explore the impact of program fee revenue on organizational characteristics at a single point in time, and the dependent variables in each model are dichotomous.[18] To analyze these outcome variables, I employ binomial logistic regression analysis to test my hypotheses.[19] Binomial logistic regression (or logit analysis) predicts the log odds that organizations will be in each of the two categories of the dichotomous dependent variable (Treiman, 2009). Each model predicts the effect of the percentage of fee income on the log odds that organizations will have a particular characteristic.

The following linear probability model will be used for each of the dichotomous dependent variables:

$$\mathrm{logit}(p) = \log\left[\frac{p}{(1-p)}\right] + e$$

$$\mathrm{logit}[p(x)] = \log\left[\frac{p(x)}{1-p(x)}\right] = a + b_1x_1 + b_2x_2 + \ldots + b_kx_k + e$$

The logit (or logistic transformation) represents the log of the odds of a particular outcome based on a rate of change in the independent variable being observed or tested. Because log odds are not as easy to interpret, most scholars use odds ratios, allowing one to state that when an independent variable increases by one unit, the estimated odds of matching a particular variable category (e.g., offering non-English language services) multiply by the odds ratio:

$$\text{Odds Ratio} = e^{b}$$

[18] Due to problematic distributions, I chose to dichotomize those dependent variables with continuous or ordinal scale properties. The reasoning for transforming these variables will be explored in more detail later.
[19] All data analyses were conducted using weighted data to account for the stratification (by location and revenue) of the sample.

To further aid interpretation, I also analyze predicted probabilities for illustrative values of the key independent variable—the percentage of revenue from fees and charges. Using logistic regression results, I analyze predicted probabilities for statistically significant outcomes, examining a range of predicted values from when respondents report no (0%) fee income to when they report 100% fee income. To compute the predicted probabilities, I used the `-margin-` command in the Stata 12 statistical package. This postestimation command reports average probabilities, or marginal effects, based on a fitted model in which the covariates are fixed (StataCorp, 2011). To specify predicted probabilities based on different levels of fee reliance, I used the mean values for the other independent variables in the model.

All of the regression analyses incorporate a similar model structure. The percentage of revenue from fees and charges represents the key independent variable, and a number of control variables (described below) are included in each model to account for a series of seemingly influential factors. As the aim of this study is to identify the differing effects of receiving fee income on a number of organizational characteristics and activities, I have attempted to maintain relative consistency among models in terms of control variable inclusion. The one exception is the use of, where appropriate, community-level (census tract) population characteristics (described below). These community demographic indicators are chosen in accordance with the particular dependent variable being analyzed. The variable descriptions below further explain the rationale behind the model structures.

Missing Data

As many of the model variables contain some degree of missing data, I conducted a series of analyses to determine whether missing data predicted differences in the values of the dependent variables in my analyses.[20] A series of t-tests were conducted in order to analyze the differences in the mean value of the outcome variables based solely on whether: (a) there were no missing data among the independent variables in each regression model or (b) at least one independent variable had missing data (see Table A-2 in Appendix E). The t-test results appear to suggest that some of the differences in the value of the dependent variable compared between those observations with and without missing data among the independent variables are statistically significant. In other words, the t-test analyses show that the missing data are not missing at random (MAR) (Little & Rubin, 2002).

In order to address the MAR issue, rather than use listwise deletion, which would decrease the sample size to varying degrees and limit the accuracy and representativeness of the findings, I used multiple imputation to estimate values to replace the missing data among the independent variables. To impute the missing values, I used the `-mi impute chained-` command with Stata 12 to replace missing values with multiple sets of simulated values in order to complete the dataset. This command fills in missing values in multiple variables by using iterative chained equations, a sequence of univariate imputation methods with fully conditional specification (FCS) of prediction equations (StataCorp, 2011). This method, commonly referred to as imputation using chained equations (ICE), is particularly helpful in cases with arbitrary missing-value patterns (Royston, 2004, 2005). Data was imputed for all independent variables used in the analyses, and the `-boot-` option was used to address issues of non-normality (Rubin, 1996).

[20] Table A-1 in Appendix E shows the degree of missing data for all variables in my analyses. The percent of data missing for each variable ranged from 0% to 60%. The *50% or more college-educated staff* variable contains the highest, by far, rate of missing data (60%). As this reflects a substantial amount of missing data, interpretation of H10 result findings should be made with caution.

Although some scholars warn that imputation adds random noise to the dataset, it should be noted that data describing organizations can generally be imputed more reliably than for individuals, mainly because organizations tend to be more homogenous (Mosley, 2006). In an effort to take a conservative approach, imputation was not used for any dependent variables.

Variables

This section provides descriptions of all variables included in my statistical models, as well as an explanation of how each variable is operationalized:

Key Independent Variable

To gauge the influence of commercial activity, my independent variable of interest measures the extent of reliance on income from fees and charges among sample NHSOs. *Percentage of revenue from fees and charges* refers to the proportion of revenue from program fees relative to the organization's total revenue. The numerator in this case—income from fees and charges—is calculated based on responses to survey questions that ask how much of the organization's total revenue comes from (1) "Fees and charges for related services" and (2) "Private/non-government third party payments (e.g., insurance payments or payments from other non-government providers)." These two categories are grouped together because they represent very similar revenue streams, except that in third party arrangements, payments do not come directly from clients.

Dependent Variables

To assess the relationship between commercial revenue and client demographics, I rely on several dependent variables. In order to gauge the impact on client ethnicity, I created a dichotomous variable that indicates whether an organization has *50% or more non-white clients*.[21] The percentage of non-white clients was estimated by using responses to the question: "Overall, of the people who used or participated in your programs or services during your most recently completed fiscal year, approximately what percent were white?" This proportion was subtracted from one to arrive at the percentage non-white clients served. The models use a dichotomous variable, creating a cut-point at 50%.

A *non-English language services* variable was created based on the question, "Does your organization provide services in any language other than English?" The variable is coded 0 for "no" responses and 1 for "yes" responses.

The rate of *collaboration* scale was constructed using responses to the following four questions: how often do you collaborate with other nonprofit organizations to: (a) obtain funding?; (b) develop programs or services?; (c) coordinate services?; and (d) advocate for clients?[22] Confirmatory factor analysis using Stata 12's `-sem-` command suggests that each scale item's loadings are approximately 1.0, confirming that the scale is properly constructed. Responses to all collaboration questions are coded on a scale with 0 indicating "never," 1 "occasionally," 2 "often," and 3 "very often." By summing the responses, final scale values range from 0, indicating organizations with low or no collaboration, to 12, indicating those

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[21] Because the distributions of many of the outcome variables were highly non-normal (e.g., zero-truncated, zero-inflated, concentrations at zero and 100 for rate variables, etc.), I created binary cut-points in order to aid interpretation and avoid the issue of normality violations and misspecifications. For further detail on the justification for this methodology, see Appendix D.

[22] For the scale construction, I used the Stata 12 statistical package's `-sem-` command to confirm that the items in each scale were suitable for inclusion in the resulting indices (or scales). In Stata, SEM stands for structural equation modeling and offers a useful form of confirmatory factor analysis.

organizations that collaborate "very often" in all four categories. The model examines two dichotomous outcomes: *any collaboration* (scale score greater than zero) and *some collaboration* (scale scores greater than four).

Nonprofit and for-profit competition variables are based on responses to the question, "During your most recently completed fiscal year, how much competition from non-profit organizations with similar programs and services did you experience in: (a) getting financial resources?; (b) attracting clients or consumers?; and (c) recruiting staff and volunteers? Would you say none, some, a fair amount, or a great deal?" Another question asks about how much respondents faced competition from for-profit companies, using the same three sub-questions. For each question, 0 indicates "none," 1 indicates "some," 2 indicates "a fair amount," and 3 indicates "a great deal." Statistical analyses confirm that both scale constructions are appropriate (the nonprofit competition betas were all close to .8 and the for-profit competition coefficients were close to 1.0). Like with collaboration, the models examine two binary outcomes each for nonprofit and for-profit competition: *any competition* (scale score greater than zero) and *some competition* (scale scores greater than four).

An *accountability tactics* scale was constructed from the following three items: "Does your organization have: (a) statistical records on your programs and services?; (b) information on the cost of programs and services provided?; and (c) information on the impact of your programs and services?" Responses to all questions are dummy coded 0 for "no" and 1 for "yes." The items are aggregated into a scale that ranges from zero to three, and the scale construction was tested using `-sem-`, which showed that loadings were all close to 1.0. The model includes a binary outcome, with one indicating an accountability scale score of three ("very high"), and zero indicating a score of less than three.

A *management technology* scale was constructed from the following three items: “In the last three years, has your organization: (a) developed a strategic plan?; (b) reorganized your administrative or management structure?; and (c) implemented a new fiscal or cost control system?” Responses to all questions were dummy coded 0 for "no" and 1 for "yes." [23] The items are aggregated into a scale that ranges from zero to three. SEM output shows that factor loadings are all close to 1.5. The model looks at two outcomes: *any management technology adoption* (scale score above zero) and *high management technology adoption* (scale scores greater than or equal to three).

The percentage of non-white employees was calculated based on responses to the question: “Of the individuals who were paid employees of your organization during your most recently completed fiscal year, about what percent of these employees were white?” As with the other non-white variable constructions, the proportion of whites was subtracted from one to calculate the percentage of non-white staff. For my logistic regression model, I use a 50% cut-point to create a dichotomous variable: *50% or more non-white employees*.

The percentage of non-white board members was calculated based on responses to the question: “Of the individuals who served on your board during your most recently completed fiscal year, about how many were white?” The percentage variable was calculated by dividing the number of white board members (as reported by respondents) by the total number of board members. Finally, this proportion is subtracted from one to arrive at the percentage of non-white board members. The logistic regression model uses a dichotomous variable, created with a 50% cut-point: *50% non-white board members*.

[23] SEM output revealed that a fourth scale item, asking whether respondent organizations had conducted a market analysis, did not load as strongly as the other items. As a result, this item was removed from the index.

The *non-white executive* variable, a binary outcome, was created based on survey responses that ask for the interviewee (executive directors, chief operating officers, or other senior level managers) to identify their ethnicity.

The level of organizational professionalism is operationalized as the percent of staff that hold a college or professional degree, and is determined by responses to the question, "Of the individuals who were paid employees of your organization during your most recently completed fiscal year, about what percent or number were holding a college or professional degree?" Respondents answered by giving either a percent or a number figure. Count data were converted to percentages by dividing the number of professional or college-educated employees by the total numbers of employees. The logistic regression model uses a dichotomous variable, creating a cut-point at *50% or more college-educated employees*.

A binary *volunteer labor* variable was created based on responses to the following question: “During your most recently completed fiscal year, did your organization involve any volunteers, including student interns?” Responses were coded 0 for “no” and 1 for “yes.”

To measure *advocacy involvement*, I created a dichotomous variable scored zero for those who answered "no" to the question, "Is your organization actively involved in advocating or promoting certain policy issues, or the interests of a certain group or groups?" and one for those who answered "yes" to the question.

Control Variables

A number of key control variables are included in my models in order to account for the diversity among sample organizations as well as influential community characteristics. Organizational size and age are important determinants of a number of organizational attributes and also influence the many different activities that nonprofit agencies can successfully undertake. For example, LeRoux (2005) found that agency size does has a positive impact on entrepreneurial tendencies. Salamon (1995) found that larger organizations were more likely than smaller organizations to provide services to the poor. Organizational *size* is calculated based on the respondent's answer to the question, "During your most recently completed fiscal year, what were your total revenues from all sources?" Organizational *age* was computed by subtracting the organization's founding year from 2002. Log transformations of both *size* and *age* are used in the statistical models in order to correct for skewness.[24]

The *percentage of revenue from government sources* was calculated based on responses to survey questions that ask how much of the organization's total revenue comes from (a) "Government grants and contracts (direct program support and contract payments)?" and (b) "Government reimbursement arrangements (e.g., government insurance, Social Security, SSI, local funding redistribution agencies and other types of third party payments directly from the government)?" As mentioned earlier, government funding has been shown to have an important relationship with commercial income—although the nature of the relationship is not always agreed upon. Some argue that government funding is associated with increased commercial activity among human service providers, due in part to the competitive nature of purchase-of-service contracting or the increased need to generate unrestricted general operating revenue (Adams & Perlmutter, 1991; Smith, 2010). Others find an inverse relationship between commercial and government income (Stone, et al., 2001; Young, 1998). Garrow (2008) found that a number of key organizational attributes help predict whether an organization will rely on or receive government funding, including provision of services to vulnerable client groups. Due

[24] Fifteen organizations in the dataset had total revenues of $0. For the purposes of the log transformation, total revenue values of $0 were converted to $1. This was not an issue for the age variable as there were no respondents with an age of zero years.

to its seemingly influential nature, I include government funding in my model to control for its effect on my outcomes of interest.[25]

Scholars attest to the importance of location and neighborhood characteristics when it comes to access to social services and nonprofit organizational behavior (Allard, 2010; Bielefeld & Murdoch, 2004; Bielefeld, Murdoch, & Waddell, 1997; Joassart-Marcelli & Wolch, 2003). In turn, to control for various community-level demographics that might influence the dependent variables, I employ—where warranted—one of three control variables. The *percentage non-white among residents living in poverty* in the organization's location (i.e., census tract) is used as a control variable when examining organizational diversity (e.g., non-white clients, board members, and employees). If an organization is located in an area with a higher proportion of non-white low-income residents, I assume that they are more likely to serve, employ, and seek board participation from this population. The data are based on U.S. Census 2000 Summary File 3 (SF 3) sample data. At the census tract level, the proportion represents the inverse of the white alone population relative to the total population.

The *percentage of non-English speaking residents* in the organization's location is considered when testing the association of fee reliance with non-English language service provision. If an organization is located in an area with a large population of non-English speaking households, I assume that resident NHSOs will be more likely to offer non-English services. This variable was constructed by using the organization's location data to identify the census tract within which it is headquartered. From there, the language data was pulled from the U.S. Census 2000 Summary File 3 (SF 3) sample data.

[25] Correlation coefficients (see Table 5-3) suggest that including variables for the percentage of income from fees and charges and the percentage of income from government sources does not pose a threat of multicollinearity.

The *percentage of residents with a college degree* in the organization's location (i.e., census tract) is included in the model when testing the effect of fee revenue on the percentage of college-educated staff. Assuming that organizations are hiring staff from the local and surrounding communities, this variable acts as an important control. This variable was constructed by using the organization's census tract number, and gathering educational attainment statistics (i.e., the percentage of residents with an associate's degree or higher) from the U.S. Census 2000 Summary File 3 (SF 3) sample data.

Organizational activity dummy variables are based on NTEE Core Codes, and provide a categorization of organizations by service area. Organizations are classified within the following eight categories: *advocacy*, *child care*, *clinical services*, *crime and legal*, *individual assistance*, *basic needs*, *youth development*, and *special needs services*.[26] For further description of these activity categorizations, see Appendix F.

[26] The organizational activity variables represent a dummy set, and as such require that one category be omitted. Because clinical services is the largest of the categories, I use it as the omitted category.

CHAPTER FIVE: RESULTS

This chapter contains general descriptive statistics, hypotheses test results, and an initial discussion of study findings. Revenue from fees and charges, this study's key predictor variable, comprises a sizeable income stream for many of the respondent NHSOs. Of the sample organizations for which revenue data were collected, 50% report receipt of fee-for-service income. Of those that receive fee income, fees and charges represent nearly one-third (31%) of total revenue. For more than a quarter (27%) of the NHSOs that generate fee-for-service revenue, fees represent more than half of all revenue.

Descriptive Statistics

Table 5-1 provides descriptive statistics for all variables included in my analyses. Within the sample, revenue from program fees and charges (including non-government third party payments) accounted for slightly more than 15% of organizational revenue on average. The mean scores reported in Table 5-1 for the binary outcome variables indicate the percentage of "1" (or "Yes") responses. The diversity variables indicate that 76% of organizations reported 50% or more non-white clients; 74% reported providing non-English language services; 60% reported half or more non-white employees; 34% reported 50% or more non-white board members; and 36% reported having a non-white chief executive.

Mean data suggest that sample NHSOs report higher instances of collaboration compared to competition, and competition with nonprofits appears to be more frequent than competition with for-profits. For 48% of organizations, more than half of employees have college degrees. Nearly 82% of sample organizations rely on volunteer labor and 58% report having engaged in advocacy activities. In terms of primary organizational subtype, clinical services (28%) is the most common, followed by individual assistance (19%), special needs services (16%), basic needs (13%), youth development (10%), crime and legal (6%), and child care and advocacy (4%).

In terms of control variables, the average organizational size (measured by annual revenue) is $2.9 million, the average age is 30 years, the average percentage of government revenue is 39%, the average percentage non-white among residents living in poverty is 74%, the average percentage of non-English speaking residents is 51%, and the average percentage of local residents with a college degree is 30%.

Table 5-1.

Model Variable Means and Standard Deviations

Variables	N	Mean	S.D.	Min.	Max
Independent Variables					
Revenue from fees and charges (%)	518	15.44	27.27	0	100
Dependent Variables*					
50% or more non-white clients	531	.76	.42	0	1
Non-English language services	637	.74	.44	0	1
Collaboration					
Any collaboration	589	.86	.35	0	1
Some collaboration	589	.51	.50	0	1
Nonprofit competition					
Any nonprofit competition	569	.75	.43	0	1
Some nonprofit competition	569	.31	.46	0	1
For-profit competition					
Any for-profit competition	565	.50	.50	0	1
Some for-profit competition	565	.14	.34	0	1
Accountability tactics	577	.66	.47	0	1
Management technology scale					
Any management technology	627	.72	.45	0	1
High management technology	627	.21	.41	0	1
50% or more non-white employees	485	.60	.49	0	1
50% or more non-white board members	569	.34	.47	0	1
Non-white executive	591	.36	.48	0	1

Table 5-1. (continued).

Variables	N	Mean	S.D.	Min.	Max
50% or more college-educated staff	257	.48	.50	0	1
Volunteer labor	617	.82	.39	0	1
Advocacy involvement	635	.58	.49	0	1
Control Variables					
Size (revenue) ($ thousands)	535	$2,929	$7,565	$0	$75,500
Age (years)	632	30.24	27.26	1	158
Revenue from government sources (%)	517	38.58	39.92	0	100
Non-white residents in poverty (%)	621	73.68	25.88	0	100
Non-English speaking residents (%)	639	50.71	22.27	0	96
Residents with a college degree (%)	619	30.25	19.14	0	76
Primary organizational activity**					
Advocacy	639	.04	.20	0	1
Basic needs	639	.13	.34	0	1
Child care	639	.04	.19	0	1
Clinical services	639	.28	.45	0	1
Crime and legal	639	.06	.24	0	1
Individual assistance	639	.19	.39	0	1
Youth development	639	.10	.30	0	1
Special needs services	639	.16	.36	0	1

* The dependent variables are all dichotomous and therefore the mean values represent the percentage of "1" responses. For example, a mean value of .76 for the "50% or more non-white clients" variable indicates that 76% of respondents have 50% or more minority clients.

** The primary organizational activity control variables operate as dummies, therefore the mean values represent the proportion of respondents represented by each category. For example, a mean value of .04 for "Advocacy" indicates that 4% of respondents are classified as advocacy organizations.

Table 5-2 offers a descriptive comparison between NHSOs that receive any revenue from fees or charges and sample NHSOs that do not receive any fee income. This table provides a basic illustration of the apparent differences between NHSOs based solely on the receipt of any amount of fee income. The sample is evenly divided between NHSOs that do (259) and do not (259) receive any fee income. For NHSOs without any fee revenue, the percentage of non-white clients and board members exceeds those of fee-receiving NHSOs by 9% ($p < .05$) and 10% ($p < .05$), respectively. NHSOs without fee income, on average, appear much more likely to have minority executives (41% vs. 27%) ($p < .01$).

On average, NHSOs with any fee income report higher instances of any collaboration ($p < .05$), any nonprofit competition ($p < .01$), and any for-profit competition ($p < .001$). In addition, organizations with any fee income report higher instances of accountability tactics and management technology adoption ($p < .01$). NHSOs that do receive fees are older ($p < .001$), on average, than NHSOs without fee income. These summary statistic comparisons offer a baseline from which a series of logistic regression analyses aim to shed further light on the impact of program fee reliance. While mean value comparisons appear to suggest that fee income is associated with certain organizational distinctions, the regression analyses allow for a more careful exploration and for controlling a number of influential factors.

Table 5-2.

Dependent Variable Mean Values, by Receipt of Fee Income, Nonprofit Human Service Organizations (NHSOs) in Los Angeles County, 2002

	Mean Values			
Variables	No Fee Income	Any Fee Income	Difference	P-Value
Dependent Variables*				
50% or more non-white clients	.82	.73	-.09	.017
Non-English language services	.75	.74	-.01	.707
Collaboration				
Any collaboration	.85	.92	.07	.025
Some collaboration	.50	.57	.07	.098
Nonprofit competition				
Any nonprofit competition	.73	.84	.11	.006
Some nonprofit competition	.33	.32	-.01	.761
For-profit competition				
Any for-profit competition	.45	.57	.12	.008
Some for-profit competition	.09	.21	.12	.000
Accountability tactics	.63	.74	.11	.015
Management technology scale				
Any management technology	.70	.82	.12	.002
High management technology	.17	.28	.11	.003
50% or more non-white employees	.61	.61	.00	.973
50% or more non-white board members	.37	.27	-.10	.018
Non-white executive	.41	.27	-.14	.002
50% or more college-educated staff	.45	.48	.03	.618
Volunteer labor	.84	.85	.01	.726
Advocacy involvement	.58	.65	.07	.079
Control Variables				
Size (revenue) ($ thousands)	$2,455	$3,456	1,001	.134
Age (years)	26.38	36.62	10.24	.000
Revenue from government sources (%)	41.21	35.93	-5.28	.128

Table 5-2. (continued).

Variables	Mean Values			
	No Fee Income	Any Fee Income	Difference	P-Value
Non-white residents in poverty (%)	73.93	72.47	-1.46	.520
Non-English speaking residents (%)	49.50	51.61	2.11	.279
Residents with a college degree (%)	29.85	31.60	1.75	.309
Primary organizational activity**				
Advocacy	.05	.05	.00	1.000
Basic needs	.11	.12	.01	.890
Child care	.03	.05	.02	.244
Clinical services	.27	.29	.02	.698
Crime and legal	.07	.05	-.02	.324
Individual assistance	.22	.19	-.03	.282
Youth development	.10	.12	.02	.675
Special needs services	.15	.15	.00	.806

* The dependent variables are all dichotomous and so the means value represent the proportion of "1" responses. For example, a mean value of .76 for the "50% or more non-white clients" variable indicates that 76% of respondents have 50% or more minority clients.

** The primary organizational activity control variables operate as dummies, and so the mean values represent the proportion of respondents represented by each category. For example, a mean value of .04 for "Advocacy" indicates that 4% of respondents are classified as advocacy organizations.

Table 5-3 shows the pairwise zero-order correlations for all of the study variables. These figures indicate that many of the dependent and independent variables have statistically significant correlations with the percentage of revenue from fees and charges. Not surprisingly, the percentage of fee income is negatively and moderately correlated with the percentage of government income ($r = -.322$, $p < .001$). As one form of income increases or decreases, the relative share of other revenue sources moves in the opposite direction. The percentage of fee income is also negatively correlated with: high levels (50% or more) of non-white clients, offering non-English language services, high levels of non-white employees, having a non-white executive, involvement with advocacy efforts, and individual assistance services. Fee income is positively correlated with the percentage of local residents with a college degree or higher, some for-profit competition, and child care services.

The matrix shows that government funding is correlated with most of the other variables, illustrating the importance of this revenue stream. While government funding is not the central focus of this study, I revisit its seemingly influential role in the next chapter. Organizational size and age also have significant correlations with many of the outcome variables—supporting the notion that organizations with more funding, capacity, and infrastructure would appear likely to behave differently than their smaller counterparts.

The community demographic variables all prove to be highly correlated with each other. The correlation coefficients among the percentage of non-white residents (among those living in poverty), the percentage of non-English speaking households, and the percentage of residents with a college degree range from -.615 to .724 ($p < .001$). As such my regression models, where applicable, only include one of these three community-level control variables in order to avoid multicollinearity issues.

Table 5-3.

Pairwise Correlation Matrix, All Variables, Nonprofit Human Service Organizations (NHSOs) in Los Angeles County, 2002

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Revenue from fees and charges (%)	1.000														
2	Revenue from government sources (%)	-.332***	1.000													
3	Log of size (revenue)	.067	.421***	1.000												
4	Log of age	.082	.039	.333***	1.000											
5	Non-white residents in poverty (%)	-.069	.206***	-.047	-.024	1.000										
6	Non-English speaking residents (%)	-.027	.149**	.094*	.081*	.629***	1.000									
7	Residents with a college degree (%)	.089*	-.191***	.039	.047	-.724***	-.615***	1.000								
8	50% or more non-white clients	-.222***	.206***	.057	-.067	.387***	.225***	-.314***	1.000							
9	Non-English language services	-.170***	.299***	.257***	.070	.115***	.209***	-.174***	.172***	1.000						
10	Any collaboration	-.085	.280***	.324***	.114**	.014	.115**	-.043	.079	.316***	1.000					
11	Some collaboration	-.064	.325***	.293***	.063	.063	.096*	-.103*	.164***	.324***	.411***	1.000				
12	Any nonprofit competition	.013	.285***	.313***	.114*	-.056	-.006	.054	-.079	.261***	.325***	.299***	1.000			
13	Some nonprofit competition	-.012	.201***	.186***	.116**	.010	.058	.003	.087	.115**	.185***	.156***	.384***	1.000		
14	Any for-profit competition	.032	.270***	.285***	.157***	.015	.106*	.006	.001	.155***	.227***	.224***	.411***	.322***	1.000	
15	Some for-profit competition	.229***	.012	.122**	.108*	-.047	-.015	.054	-.085	.023	.046	.098*	.185***	.264***	.397***	1.000

Table 5-3. (continued).

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	Accountability tactics	-.001	.185***	.263***	.176***	-.002	.026	.029	.100*	.186***	.283***	.297***	.202***	.141**	.187***	.039
17	Any management technology	.028	.090*	.284***	.139***	.031	.093*	-.003	.097*	.095*	.275***	.232***	.189***	.152***	.179***	.119**
18	High management technology	.014	.084	.162***	.097*	.037	.013	.019	.055	.146***	.167***	.165***	.178***	.145**	.165***	.151***
19	50% or more non-white employees	-.115*	.281***	.120*	.007	.460***	.246***	-.350***	.37***	.121**	.121**	.142**	.071	.118*	.141**	.012
20	50% or more non-white board members	-.067	.145**	-.155**	-.200***	.394***	.172***	-.318***	.345***	.024	-.048	.030	-.065	.027	.047	.055
21	Non-white executive	-.095*	.146**	-.091*	-.195***	.325***	.114**	-.262***	.238***	-.008	-.030	-.004	-.016	.013	-.036	.004
22	50% or more college-educated staff	-.095	.146**	-.091	-.195	.325***	.114**	-.262	.238***	-.008	-.030	-.004	-.016	.013	-.036	.004
23	Volunteer labor	-.061	-.052	.195***	.207***	-.042	.036	-.010	-.024	.156***	.11**	.122**	.206***	.047	.089*	-.053
24	Advocacy involvement	-.115**	.308***	.377***	.133**	.031	.078	-.051	.007	.289***	.38***	.426***	.282***	.136**	.213***	.050
25	Child care	.103*	.075	.039	-.053	-.028	-.042	.010	-.007	.020	-.032	-.003	.021	-.004	-.020	-.013
26	Crime and legal	-.040	.084	-.033	-.063	.066	.023	.035	.124**	.030	.083*	.067	-.001	.084*	.061	-.030
27	Individual assistance	-.099*	.023	.058	.107**	.075	.124**	-.110**	.079	.076	.119**	.080	.063	.035	.049	-.021
28	Basic needs	.065	-.138**	-.113**	-.084*	.036	-.013	-.046	-.016	-.066	-.113**	-.031	-.158***	-.140**	-.169***	-.078
29	Youth development	.054	-.175***	.039	.040	.015	-.001	.029	.113**	-.064	-.027	-.101*	.012	-.030	-.090*	-.043
30	Special needs services	-.001	.101*	.040	.054	-.081*	-.072	.053	-.226***	.013	.030	.012	.026	.033	.123**	.169***
31	Advocacy	-.035	-.114*	-.038	-.043	.047	.063	-.024	.050	.002	.059	.031	-.016	-.032	-.026	-.035

Table 5-3. (continued).

	Variables	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
16	Accountability tactics	1.000															
17	Any management technology	.254***	1.000														
18	High management technology	.205***	.319***	1.000													
19	50% or more non-white employees	.038	.133**	.031	1.000												
20	50% or more non-white board members	.005	.047	.019	.483***	1.000											
21	Non-white executive	-.054	.059	.008	.437***	.606***	1.000										
22	50% or more college-educated staff	-.012	-.023	.053	-.002	.113	.096	1.000									
23	Volunteer labor	.132**	.144***	.027	-.089	-.154***	-.109*	.005	1.000								
24	Advocacy involvement	.251***	.217***	.207***	.088	-.025	-.070	-.108	.165***	1.000							
25	Child care	.035	.003	-.055	.050	.073	.027	-.072	-.028	.029	1.000						
26	Crime and legal	.017	.014	-.001	.008	-.018	0.000	.148*	.001	.019	-.049	1.000					
27	Individual assistance	.056	.078	-.039	.055	.095*	.090*	-.007	.078	.072	-.094*	-.124**	1.000				
28	Basic needs	-.055	-.144***	-.049	-.081	-.030	-.022	-.075	-.066	-.109**	-.076	-.101*	-.193***	1.000			
29	Youth development	.043	.067	.104**	.126**	.041	.056	.014	.087*	-.122**	-.064	-.084*	-.161***	-.130**	1.000		
30	Special needs services	.016	.025	-.025	.011	-.033	-.066	-.203**	-.085*	.061	-.083*	-.110**	-.210***	-.170***	-.142***	1.000	
31	Advocacy	-.091*	-.054	-.024	-.027	-.015	.006	.058	-.048	.164***	-.041	-.054	-.103**	-.083*	-.069	-.090*	1.000

**p* < .05 ***p* < .01 ****p* < .001

Hypotheses Tests

The remainder of this chapter focuses on reporting the hypotheses test results and offering potential explanations for the study findings. As discussed, my presumptions about the association between income from fees and charges and a variety of organizational characteristics are influenced by resource dependence theory along with the emergence of a market-oriented institutional logic among respondents. Resource dependence theory suggests that organizations engage in activities that will yield a reliable flow of income from their environment. My hypotheses are predicated on the notion that the pursuit of fee income will predict particular organizational activities and strategies. From an institutional logics perspective, I postulate that receipt of fee income will be associated with organizational practices reminiscent of a for-profit company or, in the least, a more business-minded nonprofit. These distinctions are meant to reflect the influence of a market logic. The literature on nonprofit organizational behavior and commercialization among NHSOs focuses intently on the influence of the market, and this study seeks to promote an increased understanding of this growing issue through empirical exploration.

Client Characteristics

Perhaps the gravest concern among scholars, policymakers, practitioners, and the like focuses on the threat that commercialization will create barriers to much-needed social services among some of the most disadvantaged populations. After all, nonprofits receive special treatment (e.g., tax–exemption, tax-deductible contributions, etc.) under the presumption that they offer a tangible public good and that they act in a charitable manner. In disadvantaged communities, nonprofits—large and small—provide access to critical services. If organizations look to fees and charges to generate revenue, they might be less likely to serve populations who are unable to pay or who would need a sliding scale adjustment.

If market considerations begin to outweigh community needs, client selection might very well be affected. Studies have indeed found that the proportion of revenues generated by program fees is lowest for organizations in subfields typically deemed "public," while such revenue is highest for those organizations providing mostly private benefits (Fischer, et al., 2007). Some have suggested that within the privatization era, no-pay or low-pay clients may actually become a liability for NHSOs looking to generate revenue through fee-for-service models (Netting, McMurtry, Keller, & Jones-McClintic, 1990). In this study, because the survey data does not include information on clients' socio-economic background, the analysis examines the ethnicity of the clientele, as well as the provision of non-English language services, as general proxies for client income levels.

In the case of organizations that rely more on fees and charges, I expect that NHSOs would orient their fee-based service provision toward a clientele with greater means to pay for services. Within this construct, I expect that organizations would be less likely to (1) serve a high percentage (50% or more) of non-white clients (H1) and (2) offer non-English language services (H2). The underlying assumption here is that non-white and non-English speaking clients are more likely to fall into lower-income categories, would therefore have fewer means to pay for services, and would be served with lesser frequency relative to other sample organizations.

Logistic regression results (Table 5-4) for non-white clients appear to support my first hypothesis. The model output shows that every one-unit increase in the percentage of fee revenue results in a .012 unit decrease in the log of the odds that an organization will have a high percentage (50% or more) of non-white clients. In order to aid interpretation, the logit coefficient translates to an odds ratios of .988 [=exp(-.012)], which can be interpreted to mean that for every 1% increase in the share of revenue from fees and charges, we will see a 1.2% decrease in the probability that an organization will have a predominant share of non-white clients. Figure 5-1 graphs predicted probabilities, which make interpretation more intuitive, showing that 79% of organizations with no revenue from fees and charges have a high percentage of non-white clients compared to 57% for those with 100% revenue from fees and charges.

The percentage non-white among residents living in poverty was shown to be a positive predictor of a high percentage of non-white clients, as might be expected. This finding supports Bielefeld, Murdoch, and Waddell's (1997) findings that nonprofit clientele tend to mirror the demographics of the local community. Indeed, local demographics are shown to be a stronger predictor than income from fees.

In terms of organizational activities, a focus on youth development services and crime and legal services were positive predictors of a high percentage of non-white clients. A potential explanation for the youth services findings might lay in the fact that these groups often offer recreational activities in underserved areas of the county. The crime and legal outcome suggests that these groups tend to target the more underserved local populations—those that struggle to pay for expensive legal representation.

Table 5-4.

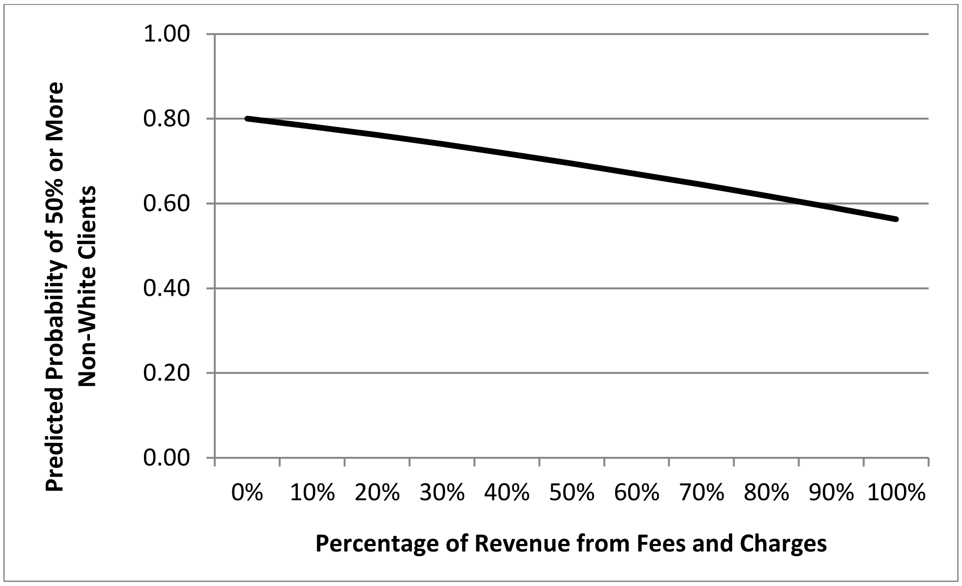
Summary of Logistic Regression Analyses for Client Characteristic Variables among NHSOs in Los Angeles County, 2002

	50% or More Non-White Clients (n=531)			Non-English Language Service Provision (n=637)		
Predictor	*B*	*SE B*	e^B	*B*	*SE B*	e^B
Percentage of revenue from fees and charges	-.012*	.006	.988	-.008*	.004	.992
Percentage of revenue from government sources	.005	.005	1.005	.011*	.004	1.011
Log of organizational size	.088	.060	1.092	.102*	.042	1.108
Log of organizational age	-.205	.178	.815	.038	.140	1.039
Percentage non-white among residents living below poverty (in census tract)	.031***	.005	1.032	n/a	n/a	n/a
Percentage of non-English speaking households in census tract	n/a	n/a	n/a	.021***	.005	1.022
Primary organizational activity						
Child care	.494	.721	1.639	.621	.571	1.000
Crime and legal	2.646*	1.092	14.097	.207	.492	1.861
Individual assistance	.393	.364	1.481	.306	.327	1.230
Basic needs and assistance	.326	.389	1.385	-.022	.320	1.358
Youth development	1.285*	.552	3.616	-.318	.337	.978
Special needs services	-.954**	.350	.385	.196	.333	.728
Advocacy	.445	.835	1.560	.100	.520	1.216
Constant	-1.595	.834	.203	-1.565**	.562	1.106

Note: e^B = exponentiated *B*
**p* < .05 ***p* < .01 ****p* < .001

Figure 5-1.

Predicted Probabilities of 50% or More Non-White Clients among NHSOs in Los Angeles County, 2002 (n=531)



Organizational focus on special needs services was shown to be a negative predictor of minority clients. These organizations, which offer specialized services for older adults and individuals with various disabilities, might well cater to a more affluent clientele. Perhaps in communities of color, NHSOs play a lesser role in tending to the needs of these populations. This could be a result of stronger familiar involvement in such matters, which might supplant the role of the nonprofit provider, or it could stem from a lack of institutional infrastructure in more disadvantaged communities. Perhaps government entities more commonly provide these kinds of services to non-white populations.

Size (log of total revenue) and age were shown to have null effects on the percentage of non-white clients—curious findings given the influential nature of size and age on a number of organizational activities. Findings suggest that community characteristics are more important than organizational characteristics in terms of predicting services for non-white clients, although fee income was shown to be a negative predictor.

Many of the same theoretical conclusions that I draw from the H1 results also seem to apply to the H2 findings. Logistic regression results (Table 5-4) show a negative association between the share of revenue from fees and charges and the likelihood that an organization will offer non-English language services (H2). The model output indicates that every one-unit increase in the percentage of revenue made up of fees and charges results in a .01 unit decrease in the log of the odds that an organization will offer non-English language services. The logit coefficient translates to an odds ratio of .992 [=exp(-.008)], meaning that for every 1% increase in the share of revenue from fees and charges we will see a decrease of about 1% in the probability that an organization will offer non-English language services. Figure 5-2 illustrates that the predicted probability of offering non-English language services decreases from about 77% with no fee income to about 62% with 100% fee income.

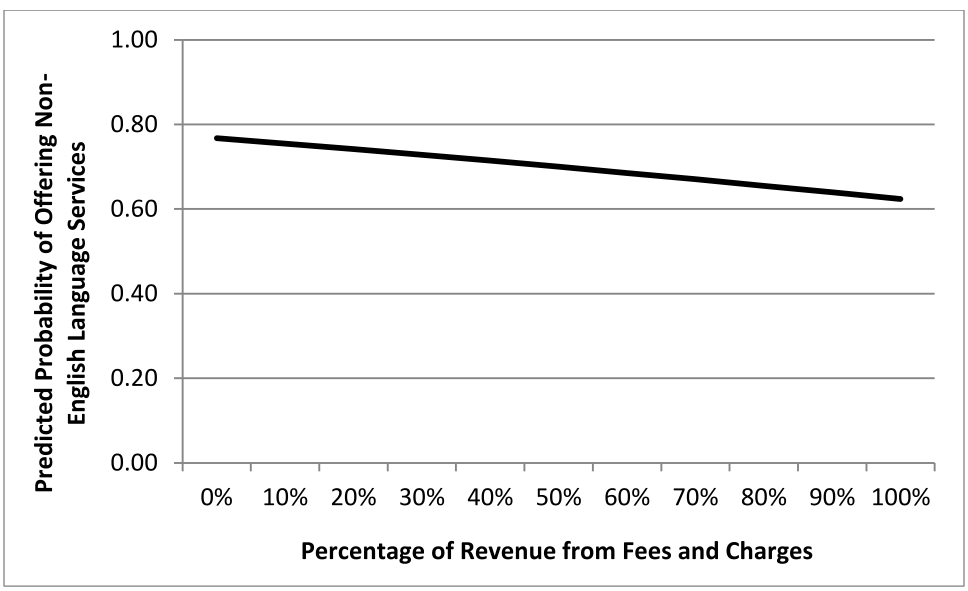
Of the additional predictors of non-English service offerings, the percentage of local non-English speaking households was the most influential. This finding is not surprising, since a larger local population of non-English speaking residents presumably equates to a higher demand for those services. The percentage of government funding was also positively related to the provision of non-English language services. The logit coefficient for government revenue translates to an odds ratios of 1.01 [=exp(.011)], which can be interpreted to mean that for every 1% increase in the share of revenue from government sources, we will see an increase of 1% in the probability that an organization will offer non-English language services. This finding may be a result of specific government grant stipulations or contract deliverables that require services for non-English speakers or populations that tend to be non-English speaking. Organizations contracting with government to provide free services to clients, and that may be subjected to service requirements that mandate particular target populations, may in fact be more likely to serve a non-English speaking client population.

Organizational size was also found to be a positive predictor of non-English language service provision, perhaps suggesting that as organizations grow, they gain greater ability to serve populations with higher levels of need. Primary organizational activity areas appeared to have little impact on the results.

The H1 and H2 findings suggest that, net of the influence of relevant community-level demographics, fee income is associated with serving a more disadvantaged client population. As sample NHSOs rely more on fees and charges, they become less likely to serve marginalized populations—a finding that illustrates the influential nature of the resource environment.

Figure 5-2.

Predicted Probabilities of Non-English Language Service Provision among NHSOs in Los Angeles County, 2002 (n=637)



Collaboration and Competition

By all accounts, competition among NHSOs has increased in recent years. In a competitive environment, not only might resource dependencies influence client-targeting strategies, but they very well might also influence an organization's orientation toward collaboration and competition. Detractors of commercial forms of revenue warn that the nonprofit sector's collaborative spirit is at risk if organizations begin to act more business-like and place a higher value on attracting clients and increasing market share. Furthermore, some suggest that competition with for-profit organizations promotes the adoption or influence of a market logic—an organizational shift undertaken in an effort to gain and maintain legitimacy and a competitive edge. If a market logic is indeed permeating the NHSO institutional landscape, I expect that as organizations increase their share of fee income, they will report lower levels of collaboration (H3) and higher levels of both nonprofit (H4a) and for-profit (H4b) competition.

Table 5-5 indicates that model results fail to demonstrate a relationship between the percentage of revenue from fees and charges and collaboration. The percentage of revenue from government sources does have a statistically significant impact. Logistic regression results measuring the probability of NHSOs reporting (1) any collaboration and (2) at least some level of collaboration suggest that for each 1% increase in government revenue, the odds of reporting *any* collaboration increase by a factor of 1.02 [=exp(.023)] and the odds of reporting *at least some* collaboration increase by a factor of 1.01 [=exp(.010)], holding all other variables constant. These findings may be a result of government focus on leveraging partnerships and encouraging contractors and grantees alike to work collaboratively with other providers.

The model output also indicates that larger organizations and organizations focused on crime and legal services as well as individual assistance are more likely to collaborate. Since collaboration often requires some degree of staff time and resource investment, it makes some sense that larger organizations would be more likely to collaborate. As NHSOs providing individual assistance services (e.g., job training) rely on referral partners and other coordinated efforts, the fact that these groups are more likely to report high levels of collaboration relative to other organizational types also does not come as a surprise.

Table 5-5.

Summary of Logistic Regression Analysis for Variables Predicting Collaboration among NHSOs in Los Angeles County, 2002 (n=583)

	Any Collaboration (Scale Score > 0)			>Some Collaboration (Scale Score > 4)		
Predictor	*B*	*SE B*	e^B	*B*	*SE B*	e^B
Percentage of revenue from fees and charges	-.003	.006	.997	.001	.004	1.001
Percentage of revenue from government sources	.023**	.006	1.023	.010**	.003	1.010
Log of organizational size	.076	.057	1.079	.153**	.052	1.165
Log of organizational age	.290	.160	1.337	-.051	.124	.951
Primary organizational activity						
Child care	.207	.998	1.230	-.106	.484	.899
Crime and legal	2.196*	1.067	8.989	.833	.416	2.300
Individual assistance	1.207*	.507	3.343	.575*	.279	1.778
Basic needs and assistance	-.046	.388	.955	.319	.309	1.375
Youth development	.377	.463	1.458	-.311	.346	.732
Special needs services	.603	.462	1.827	.148	.283	1.159
Advocacy	1.936	1.073	6.929	.827	.480	2.286
Constant	-.721	.671	.486	-2.351***	.585	.095

Note: e^B = exponentiated *B*
*$p < .05$ **$p < .01$ ***$p < .001$

Table 5-6 reveals that reliance on fees and charges does not predict the extent to which organizations encounter competition with other nonprofits. Again, reliance on government funding seems more important, with public funding shown to be positively related to experiencing any competition with nonprofits. Logistic regression model results suggest that for each 1% increase in government revenue, the odds of reporting *any* competition with nonprofits increase by a factor of 1.02 [=exp(.013)] and the odds of reporting *some* nonprofit competition increase by a factor of 1.01 [=exp(.007)], holding all other variables constant. These findings suggest that government funding, while associated with higher levels of collaboration, might also lead to higher levels of competition than other revenue sources, including fee income. Of course, to acquire and maintain government funding, particularly in the form of contract revenue, NHSOs must compete with peer organizations in an increasingly challenging resource environment.

Groups focused on providing basic needs services are shown to be less likely to experience nonprofit competition. Since basic needs organizations include groups that provide emergency shelter, meals, and other related essentials, one might assume they would be less likely to compete with other nonprofits for clients, and perhaps—to a lesser extent—resources and staff. To varying degrees, organizational size and age are shown to positively predict nonprofit competition, consistent with the idea that larger, longer-established organizations are more likely to compete with other organizations for funding, staff, and other resources.

Table 5-6.

Summary of Logistic Regression Analysis for Variables Predicting Nonprofit and For-Profit Competition among NHSOs in Los Angeles County, 2002

	Nonprofit Competition (n=569)						For-Profit Competition (n=557)					
	Any (Scale Score > 0)			>Some (Scale Score > 4)			Any (Scale Score > 0)			>Some (Scale Score > 4)		
Variable	*B*	*SE B*	e^B	*B*	*SE B*	e^B	*B*	*SE B*	e^B	*B*	*SE B*	e^B
Percentage of revenue from fees and charges	.005	.006	1.005	.002	.005	1.002	.008	.005	1.008	.021***	.006	1.022
Percentage of revenue from government sources	.013**	.004	1.013	.007*	.003	1.007	.010**	.003	1.010	.003	.005	1.003
Log of organizational size	.078	.047	1.081	.055	.045	1.056	.089	.047	1.093	.082	.079	1.086
Log of organizational age	.158	.138	1.171	.216	.130	1.241	.261*	.127	1.299	.153	.180	1.165
Primary organizational activity												
Child care	-.107	.727	.899	-.293	.534	.746	-.711	.449	1.000	-.560	.675	1.000
Crime and legal	-.327	.479	.721	.521	.418	1.684	.396	.277	.491	-.291	.408	.571
Individual assistance	.049	.341	1.051	-.023	.277	.977	.039	.341	1.486	-.046	.538	.747
Basic needs and assistance	-.823*	.330	.439	-.835*	.387	.434	-.772*	.348	1.039	-.686	.571	.955
Youth development	-.026	.416	.974	-.322	.366	.725	-.643	.294	.462	-.641	.356	.504
Special needs services	-.177	.348	.838	-.049	.288	.952	.440	.455	.526	.850**	.869	.527
Advocacy	-.139	.527	.870	-.299	.526	.741	-.172	.582	1.552	-.472	.904	2.340
Constant	-.552	.548	.576	-2.315***	.618	.099	-2.276	.000	.842	-3.917***	.000	.624

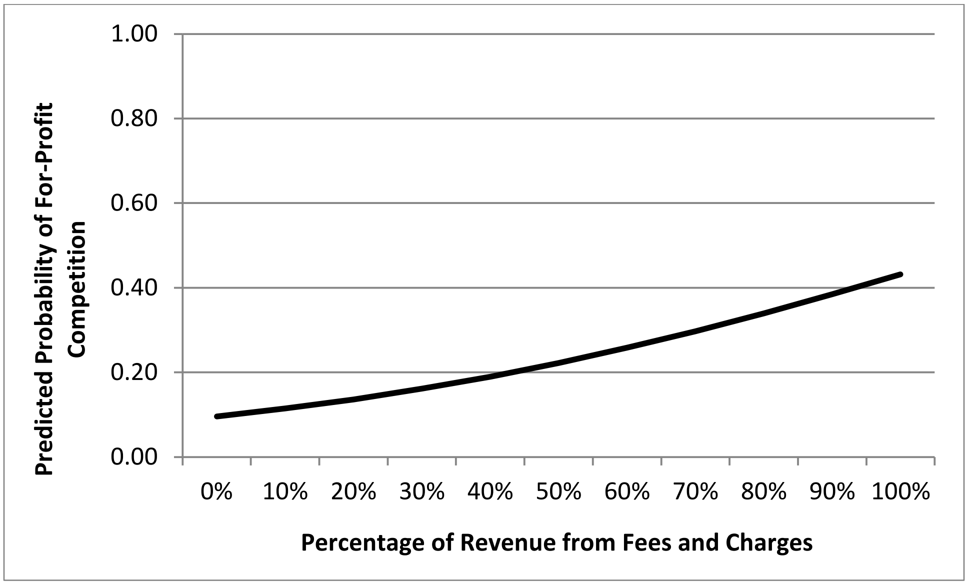
Note: e^B = exponentiated *B*
**p* < .05 ***p* < .01 ****p* < .001

In terms of competition with for-profit organizations, Table 5-6 shows that the percentage of revenue from fees and charges—as well as government sources—does predict competition. Organizations relying on fees and charges are more likely to experience competition with for-profits than organizations relying on government revenue. Logistic regression results (odds ratio) suggest that for each 1% increase in fee revenue, the odds of experiencing at least *some* competition increase by a factor of 1.02 [=exp(.021)], holding all other variables constant. The predicted probability of reporting *some* for-profit competition increases from 10% (no fee income) to 46% (100% fee income) (see Figure 5-3).

Although government funding positively predicts reporting *any* for-profit competition, there is no statistically significant association with higher levels of for-profit competition. Organizational size and age were found to be positive predictors of any for-profit competition experience. These findings are consistent with the notion that larger and more established organizations are more likely to have the capacity and revenue structure that would allow for and increase the likelihood of competing with for-profit counterparts. Groups providing basic needs and assistance were shown to have a negative association with for-profit competition, which makes sense given the nature of goods and services being delivered by these NHSOs. Special needs organizations are more likely to experience higher levels of for-profit competition, an intuitive finding given that for-profits increasingly operate in the service landscape for seniors and individuals with various disabilities.

Figure 5-3.

Predicted Probabilities of For-Profit Competition among NHSOs in Los Angeles County, 2002 (n=557)



Accountability and Management Technologies

The influence of the resource environment among NHSOs undoubtedly impacts the ways that organizations operate in a number of key areas, including accountability tactics (e.g., measuring program data, and analyzing program costs and outcomes) (H5) and management technology practices (e.g., strategic planning, reorganized management structure, and fiscal or cost control systems) (H6). These categories are meant to reflect organizational strategies geared toward maximizing fee income, and so therefore organizations that rely on fees would be more likely to engage in these practices.

In terms of accountability tactics (H5), I expect that an increase in fees and charges will increase the probability of NHSOs reporting high levels of such activities. The Table 5-7 data suggest that fees and charges do not predict whether an organization incorporates higher or lower levels of accountability. The study’s hypothesis was built on the assumption that organizations relying on fee income would increasingly invest in measuring their effectiveness as a way to promote their services and remain competitive. But perhaps NHSOs have identified more pressing priorities among clients (or customers). If, for example, potential clients are more likely to seek out services based on location, word of mouth, referral sources, price point, or other reasons—rather than whether an organization can measure and articulate its effectiveness—then NHSOs might be less inclined to increase their focus on accountability tactics and more prone to pursuing other activities that will attract more fee income.

The null finding also suggests that other resource providers (e.g., public agencies, individual donors, private foundations, etc.) might expect similar levels of accountability among their beneficiaries—therefore diluting the impact of an increase in fee income. In that sense, this finding is consistent with overarching trends in the nonprofit sector whereby organizations more generally face higher levels of scrutiny in regard to financial management and performance measures.

Reliance on government funding also fails to predict higher levels of accountability. This is a more puzzling finding, as government reporting requirements for grantees and contractors tend to be quite onerous. Then again, if accountability tactics are high across all organizations, no matter the trend in revenue reliance, the impacts might be diluted. Organizational age and size were found to be positive predictors of high accountability measures, a finding consistent with the view that more established organizations have a more robust infrastructure for implementing such mechanisms. With the exception of child care organizations, primary organizational activity areas do not appear to be associated with higher levels of accountability. Perhaps due to the sensitive nature of the clientele, purveyors of child care services demand greater accountability controls than other potential clients.

Table 5-7.

Summary of Logistic Regression Analysis for Variables Predicting Accountability Tactics and Management Technology Adoption among NHSOs in Los Angeles County, 2002

	Accountability (n=567)			Management Technology (n=627)					
	Very High (Scale Score = 3)			Any (Scale Score > 0)			High (Scale Score >= 3)		
Predictor	*B*	*SE B*	e^B	*B*	*SE B*	e^B	*B*	*SE B*	e^B
Percentage of revenue from fees and charges	-.001	.004	.999	.000	.005	1.000	.002	.004	1.002
Percentage of revenue from government sources	.005	.004	1.005	.000	.004	1.000	.004	.003	1.004
Log of organizational size	.120*	.047	1.127	.139**	.045	1.149	.073	.055	1.075
Log of organizational age	.318*	.129	1.375	.169	.119	1.185	.188	.127	1.207
Primary organizational activity									
Child care	2.232*	1.079	9.321	-.002	.529	.998	-1.270	.793	.281
Crime and legal	.716	.446	2.046	.308	.446	1.361	-.146	.440	.864
Individual assistance	.255	.446	1.290	.331	.446	1.393	-.604	.316	.547
Basic needs and assistance	.000	.301	1.000	-.635*	.301	.530	-.468	.368	.627
Youth development	.299	.376	1.348	.443	.375	1.557	.451	.337	1.570
Special needs services	.070	.306	1.072	.101	.308	1.106	-.419	.330	.657
Advocacy	-.755	.423	.470	-.355	.464	.701	-.592	.616	.553
Constant	-1.948**	.560	.143	-1.270*	.524	.281	-2.749**	.642	.064

Note: e^B = exponentiated *B*
**p* < .05 ***p* < .01 ****p* < .001

Table 5-7 shows that program fees and charges also do not predict the use of strategic management technologies, which include "business-like" strategies such as implementing cost control systems. According to the model results, the same can be said for NHSOs that rely on government revenue. This finding, or lack thereof, may be indicative of widespread adoption of these practices. Although sample data demonstrate that the average percentage of government revenue is larger for organizations with any or some adoption of management technologies, the percentage of fee income is relatively stable between both groups.

As organizational budget size increases, so does the use of strategic management technologies. Since a larger budget typically denotes a larger staff size and management structure, one might assume that size would predict greater use of the technologies captured in the scale. Organizations providing basic needs and assistance were found to have a negative association with at least some management technology implementation. This finding might stem from a less intense management and strategic planning focus among these organizations.

Diversity among Staff, Board, and Leadership

Scholars have warned that commercialization among nonprofits carries the potential to lead to profound cultural changes among the paid and volunteer nonprofit labor force, threatening to cause staff and board leadership to become less diverse or less representative of clients or the community (Frumkin, 2002a). The collective action of individuals ultimately drives the direction of the organization, and the effectiveness of the staff, board, and other volunteers are vital. The extent to which organizations reflect their constituencies, in terms of staff and volunteer composition, has been labeled as an integral strategy in connecting with clients and fostering cultural competency (Hyde, 2003). Hasenfeld (2010) points to the importance of ethnic and cultural diversity among NHSOs, as organizations are expected to reflect their environments and promote harmonious client-worker relationships.

It is important to better understand the influence of reliance on fees and charges on the demographic composition of staff (H7), the board (H8), and executive leadership (H9). This analysis is meant to shed light on whether NHSOs that rely on fee income are purposefully changing the make-up of their human capital and governance.

In terms of the share of non-white staff (H7), Table 5-8 shows that the share of fees and charges does not predict a higher (50% or more) or lower (below 50%) percentage of minority staff members. However, model results show that the percentage of non-white residents in the community positively predicts a higher share of non-white staff. The data suggest that community context may be a stronger predictor of staff diversity than specific revenue streams. The issue of community capacity to disrupt the influence of marketization is explored further in Chapter Six.

In terms of organizational focus, youth development organizations were more likely to have 50% or more non-white employees. This finding is consistent with the H1 results, in that these providers offer recreational opportunities in underserved areas of the county; it appears as if staff mirrors the client population, which was more likely to be non-white in youth development organizations compared to other organizational types.

The ethnic composition of the board of directors (H8) does not appear to be influenced by the share of revenue from fees and charges, as indicated in Table 5-8. The percentage non-white among those living in poverty appears to be associated with a higher share of non-white board members—an intuitive result in that one might expect board leadership to mirror the demographic make-up of the community.

Table 5-8.

Summary of Logistic Regression Analysis for Variables Predicting 50% or More Non-white Employees, 50% or More Non-white Board Members, and Non-white Leadership among NHSOs in Los Angeles County, 2002

	50% or More Non-white Employees (n=485)			50% or More Non-white Board Members (n=569)			Non-white Leadership (n=591)		
Predictor	*B*	*SE B*	e^B	*B*	*SE B*	e^B	*B*	*SE B*	e^B
Percentage of revenue from fees and charges	-.001	.005	.999	.003	.005	1.003	.000	.005	1.000
Percentage of revenue from government sources	.011**	.004	1.011	.009*	.004	1.009	.009*	.004	1.009
Log of organizational size	.038	.050	1.039	-.137**	.048	.872	-.096*	.042	.908
Log of organizational age	.006	.144	1.006	-.543***	.140	.581	-.493***	.139	.611
Percentage of non-white residents (living below poverty) in census tract	.046***	.005	1.047	.050***	.008	1.052	.032***	.006	1.033
Primary organizational activity									
Child care	2.042	1.115	7.707	1.490	.801	1.000	.270	.553	1.310
Crime and legal	-.136	.482	.872	-.412	.468	4.437	-.140	.398	.869
Individual assistance	.324	.340	1.382	.557	.309	.662	.515	.294	1.674
Basic needs and assistance	-.306	.370	.736	-.205	.367	1.746	-.171	.350	.843
Youth development	1.669**	.498	5.306	.633	.401	.814	.669	.351	1.952
Special needs services	.572	.341	1.772	.221	.337	1.882	-.136	.318	.872
Advocacy	-.341	.595	.711	-.121	.530	1.248	.120	.485	1.128
Constant	-4.155***	.809	.016	-1.974**	.790	.886	-.871	.659	.419

Note: e^B = exponentiated *B*
*p<.05 **p<.01 ***p<.001

Organizational size and age predict a lower share of non-white board members, suggesting that established organizations with greater proclivity for attracting resources are more likely to have a higher percentage of white board members. Organizational subfields do not appear to predict a higher share of non-white board members relative to other NHSO subcategories.

Table 5-8 shows that greater revenue from fees and charges does not predict whether NHSOs will employ a non-white executive (H9). The null effect of fee reliance appears to temper concerns about commercial income's influence on organizational focus and diversity. These data indicate that the percentage of revenue from government sources and the percentage non-white living in poverty were the only statistically significant predictors of a higher probability of having a non-white executive. Organizational size and age were found to be negative predictors of non-white leadership.

This study also explores whether fee income is associated with less reliance on a professionalized paid staff (measured based on the percentage of employees with college degrees) (H10) as well as a volunteer labor pool (H11). Several scholars posit that commercialized nonprofits will rely more on professionalized staffs—an assumption based on both historic and contemporary trends in the nonprofit sector. Some have pointed out the nonprofit sector's increasing reliance on workers with undergraduate and graduate degrees in business and public policy and administration. My hypothesis (H10) took a slightly different stance, positing that as NHSOs rely more heavily on fees, they will be less likely to employ a highly professionalized staff—in an effort to keep costs low.

Table 5-9 shows that the percentage of income from fees and charges is not associated with lower levels of professionalized staff members (i.e., those with college degrees). Model results show that the percentage of local residents (within the organization's census tract) with a college degree positively predicts the percentage of college-educated staff members. In terms of primary organizational activity areas, special needs providers are less likely to have a high share of staff members with college degrees. This is a curious finding in that one might expect NHSOs that serve specialized populations to employ staff with higher levels of education. On the other hand, the required skills may very well call for vocational certifications or other credentials, and not necessarily a college degree. Perhaps the field calls for an even share of high- and low-skilled employees, and shifts in fees make little impact on the make-up of staff.

It is also worth noting that the large amount of missing data in the professionalized staff variable, far more than any other variable, may be influencing the lack of significant findings. Although missing data affects the other dependent variables to some degree, the percentage of missing data among the other variables causes less concern (see Table A-1).

Table 5-9.

Summary of Logistic Regression Analysis for Variables Predicting 50% or More College-educated Staff among NHSOs in Los Angeles County, 2002 (n=257)

Predictor	*B*	*SE B*	e^B
Percentage of revenue from fees and charges	-.006	.007	.994
Percentage of revenue from government sources	.002	.005	1.002
Log of organizational size	-.073	.069	.930
Log of organizational age	-.159	.165	.853
Percentage of residents with a college degree (in census tract)	.016*	.008	1.016
Primary organizational activity			
Child care	-1.104	.796	.332
Crime and legal	.899	.718	2.456
Individual Assistance	-.285	.382	.752
Basic needs and assistance	-.766	.577	.465
Youth development	-.385	.462	.680
Special needs services	-1.217**	.418	.296
Advocacy	.850	.878	2.340
Constant	1.286	.791	3.618

Note: e^B = exponentiated *B*
*$p < .05$ **$p < .01$ ***$p < .001$

Voluntarism

A frequent concern related to commercialization involves potential threats to the voluntary spirit that has traditionally undergirded nonprofit organizations. In turn, I have hypothesized that fees and charges will have a negative relationship with the probability that an organization will rely on volunteer services (H11). The premise here is that a market logic undervalues volunteer labor—even if the work saves the organization resources that would otherwise have been used to compensate a paid staff member. Volunteers, of course, provide a diverse array of services to nonprofits. For organizations that rely on fee-for-service, perhaps there might be less need for volunteer efforts. Most likely, the services for which the organization is being compensated are best carried out by trained professionals, rather than volunteers. For organizations that rely less on fees, such as a soup kitchen for example, they may have much greater use for volunteer labor.

Summary statistics in Table 5-2 indicate that organizations that receive any fee income have, on average, the same likelihood of utilizing volunteer labor as other sample organizations. The data show that 85% of organizations that collect any fee income report using volunteer labor. Among organizations that rely on program fees and charges for more than 50% of their annual revenue, 79% rely on volunteers. In contrast, when organizations rely on government revenue for 50% or more of their revenue, 83% rely on volunteers; and when organizations receive more than half of their income from donations, 91% rely on volunteers.

Logistic regression results (Table 5-10) show that the share of revenue from fees and charges is negatively related to the likelihood that an organization will rely on volunteer services. Every one-unit increase in the percentage of revenue made up of fees and charges results in a .012 unit decrease in the log of the odds that an organization will rely on volunteer services. The logit coefficient translates to an odds ratios of .988 [=exp(-.012)], which can be interpreted to mean that we will see a decrease of about 1% in the probability that an organization will rely on volunteer services for every 1% increase in the share of revenue from fees and charges. The percentage of revenue from government sources was found to have a similar impact on volunteer reliance. This finding is consistent with Billis' (1991) demonstration that increased government contracting diminishes the roles of volunteers. Figure 5-4 shows that the predicted probability of any volunteer reliance is 85% for organizations with no fee income and decreases to 66% when revenue is entirely fee income.

Organizational size and age were found to be positively related to the probability that an organization would rely on volunteer labor. One explanation for this finding might be that as organizations grow, they develop more infrastructure to provide and manage volunteer opportunities. A focus on special needs services was found to negatively predict volunteer reliance, a likely result of the high-need populations being served by this group and the level of skill required to address client needs. This finding, however, somewhat contradicts the H10 results, which showed that special needs organizations were less likely to have a high percentage of college-educated staff members. As mentioned earlier, this may be the result of relying on staff with vocational credentials, although not college degrees. In these cases, organizations might still be less likely to rely on volunteer labor due to the skill requirements.

Table 5-10.

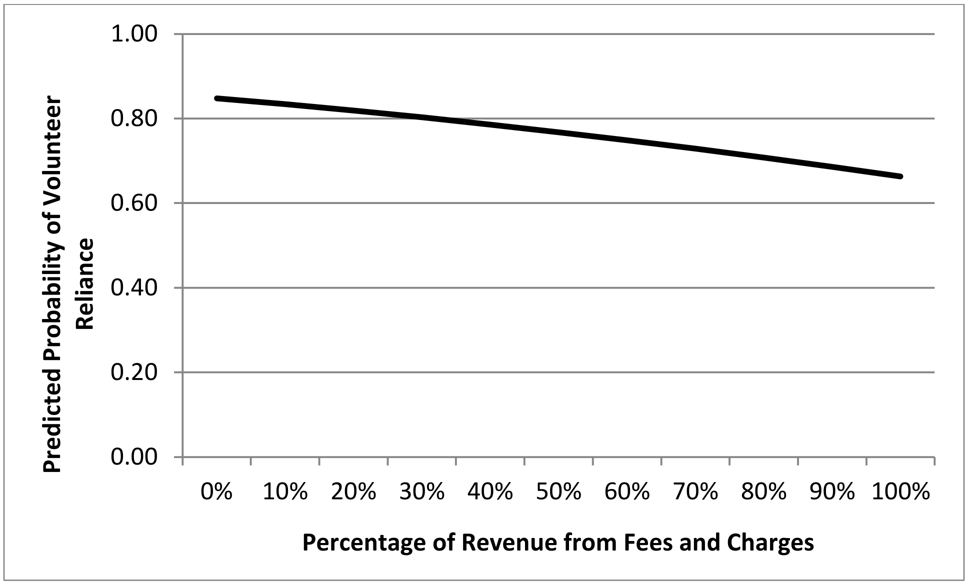
Summary of Logistic Regression Analysis for Variables Predicting Volunteer Labor Reliance among NHSOs in Los Angeles County, 2002 (n=615)

Predictor	*B*	*SE B*	e^B
Percentage of revenue from fees and charges	-.012*	.005	.988
Percentage of revenue from government sources	-.009*	.004	.991
Log of organizational size	.162***	.046	1.176
Log of organizational age	.588***	.154	1.800
Primary organizational activity			
Child care	-.277	.621	.758
Crime and legal	.141	.526	1.152
Individual assistance	.084	.385	1.087
Basic needs and assistance	-.513	.358	.599
Youth development	.913	.605	2.491
Special needs services	-.702*	.344	.495
Advocacy	-.999	.521	.368
Constant	-1.403*	.552	.246

Note: e^B = exponentiated *B*
*$p < .05$ **$p < .01$ ***$p < .001$

Figure 5-4.

Predicted Probabilities of Volunteer Labor Reliance among NHSOs in Los Angeles County, 2002 (n=615)



Advocacy

Lastly, this study examines the influence of program fee reliance on an NHSO's propensity to engage in advocacy activities. A common theme among those who have voiced concern about the infusion of a market logic, and the potential for commercial revenue to drive nonprofits away from their focus on public goods, involves the threat of compromising the advocacy functions of the nonprofit sector.

I have hypothesized that fees and charges will be negatively associated with the probability that an organization will engage in advocacy activities (H12). Logistic regression results (Table 5-11) show that revenue from fees and charges has no effect on advocacy activities. The results, however, show that the percentage of revenue from government sources positively predicts advocacy activities, as does size and, unsurprisingly, a primary organizational focus on advocacy.

Table 5-11.

Summary of Logistic Regression Analysis for Variables Predicting Advocacy Activity among NHSOs in Los Angeles County, 2002 (n=635)

Predictor	*B*	*SE B*	e^B
Percentage of revenue from fees and charges	-.006	.004	.994
Percentage of revenue from government sources	.008*	.003	1.008
Log of organizational size	.197***	.052	1.218
Log of organizational age	.154	.118	1.167
Primary organizational activity			
Child care	.496	.532	1.642
Crime and legal	.428	.422	1.534
Individual assistance	.350	.275	1.418
Basic needs and assistance	-.173	.306	.841
Youth development	-.693*	.324	.500
Special needs services	.423	.301	1.527
Advocacy	3.484**	1.086	32.602
Constant	-2.929***	.607	.053

Note: e^B = exponentiated *B*
*$p < .05$ **$p < .01$ ***$p < .001$

If we assume that NHSOs that receive government funding feel obligated to provide a higher level of public goods, then it makes sense that organizations would engage in more advocacy-type activities (e.g., giving a voice to underserved populations) as compared to more commercial nonprofits. The fact that larger NHSOs appear more likely to engage in advocacy suggests that as organizations develop larger infrastructures and resources, advocacy engagement becomes more feasible.

Youth development organizations were found to have a lower likelihood of engaging in advocacy activities, a somewhat intuitive finding given that many of the organizations in this category focus on recreation and do not necessarily work to promote policy changes for disadvantaged target populations.

Summary

The regression results reported in this chapter reveal mixed evidence in support of my hypotheses. While the percentage of non-white clients and the provision of non-English language services are negatively associated with the percentage of fee income, the demographics of staff and board members appear to be unrelated to fee income. In addition, while fee income does not appear to be associated with higher or lower levels of professionalized paid staff, fee income is negatively related to an NHSO's reliance on volunteer labor. This effect also accounts for variations among human service subsectors in which voluntarism might be more prevalent. In other words, even when controlling for the diversity of NHSO subsectors (e.g., soup kitchens versus clinical services), fee income still has a negative influence on volunteer reliance.

Levels of both collaboration and competition with nonprofit providers do not appear to be influenced by fee income, although NHSOs appear to report higher levels of competition with for-profits when fee income (as well as government income) is higher. Accountability and strategic managerial tactics, representing business-like organizational activities, do not appear to be influenced by fee income. Finally, engaging in advocacy activities was not shown to be associated with the level of fee income.

In the next chapter, I will provide a deeper synthesis of the findings by revisiting the study's key research questions and theoretical underpinnings. In my concluding discussion, I will also highlight the theoretical contributions and implications for policy and practice that emerge from this analysis.

CHAPTER SIX: DISCUSSION AND CONCLUSION

This study set out to strengthen the body of organizational research examining the implications of commercialization among nonprofit human service organizations. The fact that NHSOs play a critical role in the provision of vital services and other resources to individuals, families, and communities creates an imperative to examine the consequences of a changing resource environment and the subsequent emergence of a market logic within nonprofit social service agencies. The concepts of revenue generation, social enterprise, and earned income have characterized a paradigm shift in the nonprofit resource landscape. However gradual, this shift toward a more market-oriented logic, has prompted a series of important questions about the implications of these trends.

With an emphasis on program fees and charges—one form of commercial income—I set out to answer two interrelated research questions: (1) What differences, if any, exist between fee-reliant NHSOs and those funded more heavily by government and individual donations?; and (2) In what ways, if any, does reliance on program fees and charges affect the organizational characteristics of NHSOs? In an era of renewed austerity coupled with growing demands for nonprofit human services (e.g., shelter, food, counseling, etc.), the answers to these questions bear particular relevance. To shed light on these concerns, I posited a number of hypotheses and employed a series of statistical models, guided by the insights of resource dependence theory and an institutional logics perspective. This concluding chapter synthesizes the results of my analyses, discusses the theoretical contributions of the study, considers a number of key policy and practice implications, comments on potential limitations of the study, and offers recommendations for future research.

Synthesis of Findings

Results of my statistical models provide mixed support for my hypotheses about the impact of program fee revenue on a number of organizational characteristics. The key findings include: (1) reliance on program fees and charges is negatively related to the percentage of minority clients being served; (2) program fee reliance negatively predicts the provision of non-English language services; (3) while fee reliance was not a statistically significant predictor of decreased collaboration with other organizations or increased competition with other nonprofits, program fees were shown to predict higher levels of competition with for-profits; and (4) program fee revenue was negatively associated with volunteer reliance.

The central concern in the literature on nonprofit commercial activity, particularly within the human services field, is that the pursuit of commercial income can compromise an organization's adherence to its mission. Weisbrod (1998) asked the seminal question of whether nonprofits can "simultaneously mimic private enterprise and perform their social missions?" (p. 167). Even before Weisbrod, Gilbert (1984) warned that commercial trends, brought about by the emergence of for-profit organizations in the social sector and subsequent pressure for nonprofits to incorporate profit-making strategies, might undermine the moral integrity of social welfare interventions. Frumkin (2002a) cites concern that business-like and entrepreneurial activities will replace core social goals with narrower efficiency objectives. James (2003) asks whether commercialization distorts nonprofit missions or, inversely, enables organizations to perform their mission better.

Ultimately, the question of "mission versus margin" concerns the potential for compromising or sacrificing legitimacy—an ever-important commodity among nonprofits and a coveted resource in the institutional landscape. After all, the legitimacy conferred on nonprofits, based largely on the assumption that these organizations act altruistically and offer and promote public goods, is essential to organizational growth and survival (Smith & Lipsky, 1993). Commercial tactics threaten to cause an identity crisis among NHSOs which could carry with it a loss of legitimacy, a result that could eventually lead to the elimination of special privileges and protections for nonprofit organizations—a point that will be revisited later.

For those who question whether the fundamental philanthropic nature of the nonprofit has diminished in the face of for-profit influence, a dearth of evidence exists to substantiate such a claim. NHSOs instill relatively high levels of public confidence compared to other nonprofit subsectors, and only religious organizations receive a higher share of American charitable contributions each year (O'Neill, 2009). Despite the relative good standing among the public, one can imagine a vicious cycle in which mission creep might lead to lower levels of public support, which in turn would pressure organizations to raise even more money from fees and charges and other forms of earned income.

With respect to target populations, the study results, while not explicitly examining client income levels, do consider ethnic background and English-speaking abilities. Findings do suggest that heavier reliance on fees and charges is associated with a lower probability of serving minorities and offering non-English services, suggesting that resource dependency is perhaps driving fee-reliant NHSOs to pursue a client base that will maximize fee income. Furthermore, these findings reinforce concerns that as organizations rely more on commercial forms of revenue, market differentiation could create two classes of social services: one for those who can afford to pay and one for those who rely on pure charitable mission (Dees & Anderson, 2003; Netting, et al., 1990).

Relative to interorganizational dynamics, despite caution that commercial income might weaken networks among nonprofits, reliance on fees did not appear to affect rates of collaboration among respondents. Interestingly, the share of government revenue was found to be a positive predictor of collaboration among nonprofits, a finding that speaks to the influence of government resources and an increased focus on partnerships by public funding entities. Unlike government grants and contracts, which often encourage or require strategic subcontracting relationships, revenue from client fees and other charges offers no such explicit incentive for collaboration. In fact, one might assume that commercial activity would deter collaboration as organizations focus more on attracting and retaining clients—a resource that cannot easily be shared by organizations offering similar services—as a central revenue stream.

In terms of competition, program fee revenue did predict competition with for-profits, perhaps confirming the assessment of Brody (2003) and others that nonprofits that rely on fee-for-service revenue have attracted for-profit competitors. It would seem logical that as organizations become more dependent on fees as a resource, and therefore place greater emphasis on attracting and retaining clients, they would find themselves increasingly competing with for-profit counterparts. At the same time, government funding also predicts for-profit competition, albeit to a lesser degree. This illustrates the parity that seems to exist among nonprofit, for-profit, and public agency social service providers. For example, for-profits are not competing with nonprofits solely for clients or customers, but also for the same government contracts as nonprofits in the social service sector.

The study findings on for-profit competition also support the notion that NHSOs that rely on fee income are more likely to compete with for-profits in a consumer marketplace because they themselves act like for-profits (Galaskiewicz & Bielefeld, 2003). Scholars contend that as for-profits continue to increase their activity in traditionally nonprofit settings, we are likely to see an increase in competition between nonprofits and for-profits (Ginsberg & Gibelman, 2009). Weisbrod (1998) predicted that for-profit and nonprofit firms operating in the same space would continue to become more competitive and as a result will become increasingly indistinguishable. While this study appears to confirm the presence of competition, the issue of distinction remains up for debate.

In terms of organizational behaviors that might be associated with dependence on fee income, reliance on fees failed to predict higher levels of accountability practices (e.g., systems to track and measure performance, impact, and cost). A positive prediction might have suggested that as NHSOs depend more on fee income, they increase their use of accountability tactics in order to attract more clients and increase legitimacy in the eyes of a fee-paying clientele. The lack of association may be a byproduct of stakeholder demand, meaning that consumers of program services might be less interested in an organization's accountability measures and base their utilization more upon price or perhaps personal experience with or affinity to a service provider.

Study results suggest that reliance on government funding also fails to predict higher levels of accountability, defying the notion that government bodies might have different expectations than service consumers when it comes to accountability measures. While an individual consumer might only worry about his or her own experience, governments must ensure that taxpayers' money is well-spent and that transparent systems are in place to gauge cost-effectiveness and overall program efficacy. Ultimately, the analysis did not bear out these distinctions.

Another reason why fee income failed to predict higher instances of accountability-related activities might stem from the fact that private donors—institutional funders and individual donors alike—are also increasingly interested in performance measurement and data collection. If a broad spectrum of resource-providers place a high premium on these tactics, then finding a statistically significant relationship between fees and these activities becomes difficult.

Findings regarding the adoption of management technologies (e.g., strategic planning, reorganized management structure, fiscal or cost control systems) also failed to demonstrate effects, suggesting that resource environment demands for these activities were not distinct among fee-reliant NHSOs. These findings provide further evidence that fee income does not necessarily predict "business-like" organizational behavior as a means to generate revenue from the resource environment. Government funding also had no effect. Perhaps these particular management technologies have simply become commonplace among organizations to the extent that more of a certain type of revenue (e.g., fees, government income, etc.) does not predict a difference in behavior.

In an effort to explore the issue of diversity among sample NHSOs, the study also examined the relationship between fee income and the demographic make-up of employees, board members, and executive staff. Fees and charges were not found to have an effect on employee diversity, although the percentage of government revenue appears to positively predict ethnic diversity among employees. With respect to the board, this study did not find that fee reliance predicts a lower or higher share of minority board members. Perhaps Backman and Smith (2000) were correct in their assumption that as organizations become more reliant on commercial forms of income, the fundraising duties of the board become less important. This may in fact translate to a board that is more ethnically diverse and more representative of the minority clients served by NHSOs. Fees also fail to predict having a minority executive. Considering the null relationship with employees and board members, this finding does not come as a surprise.

In the case of diversity among employees, board members, and executives, neighborhood ethnicity was shown to be the strongest predictor of diversity across agencies, regardless of their level of fee reliance. These findings reinforce the notion that NHSOs are often community-based organizations; they draw staff, leadership, and other resources directly from the local community. This study examined the ability of resource dependency and the influence of a market logic to disrupt, to some degree, the interconnectedness between NHSOs and their surrounding community. After controlling for community-level variables, it appears that market forces (i.e., demand for fee-paying clients) may in fact explain the negative impact of fees and charges on the likelihood of serving minority clients and offering non-English services. These findings suggest that while fee-reliant NHSOs may target populations that are less likely to be minority or non-English speaking, the pursuit of fees and charges does not counteract organizational efforts to represent the broader community in its staff, board membership, and executive leadership.

This study has also shown that fees are not associated with a higher rate of staff members who have earned college degrees. This finding might suggest that even when organizations act more business-like they are not making attempts to reduce expenses by hiring less educated—and therefore less costly—staff. Perhaps these organizations are adequately meeting a key challenge in the contemporary resource environment: professionalizing management practices and increasing effectiveness while also pursuing efficiency and controlling costs (Alexander, 2000).

In terms of volunteer reliance, study results suggest that voluntarism may be viewed as less crucial among commercial NHSOs, confirming some expressed concerns about a reduced role for community participation and volunteer spirit (Dees, 1999; Eikenberry & Kluver, 2004). Study findings indicating that NHSOs are less likely to rely on volunteer labor as they rely more on program fee revenue support Dees' (1999) assertion that commercialization may limit the nonprofit's role in the community by reducing the role of volunteers. With that said, the precise reason for why voluntarism declines as program fee income increases is unclear. The central assumption is that as organizations rely more on earned income strategies, they have less use for volunteer labor. This explanation incorporates two assumptions: (1) by generating income, organizations have more resources to hire paid employees and place less value on voluntary efforts to provide services or raise money; and (2) the activities required to generate fee income (e.g., mental health services, legal services, drug treatment, etc.) are less likely to involve volunteer labor. Another possibility is that volunteers become less interested in devoting time to organizations that appear less needy of volunteer offerings.

As one of the pillars of the nonprofit sector, voluntarism is an important element of the traditional institutional logic of care and service (Knutsen, 2012). Volunteers provide a critical resource to nonprofits, although it appears that fee-based organizations place less value on volunteer labor. A reduction in voluntarism may indicate that a market logic becomes more prevalent as organizations rely more on commercial forms of revenue. As stated by Bush (1992), "If a cooperative and benevolent spirit is replaced by a mindset of competition, fundamental attributes of charitable organizations might be in danger."

Levels of government funding also negatively predict voluntarism, suggesting that a government logic has the same consequence for volunteer activity as a market logic. If we assume that many of the skill-intensive services, perhaps those demanded both by government contracts and also fee-paying clients, are similar among nonprofits that rely on fees and those that rely on government, then it would make sense that both forms of income would produce similar results. Sample data suggest that organizations that rely most heavily on donations appear most likely to rely on volunteer labor (see discussion in Chapter 5). This summary statistic supports the notion that as organizations rely more heavily on non-donative income (e.g., fees, government revenue) they would become less likely to rely on volunteers.

This study also recognizes that nonprofits are called upon to give voice to marginalized populations and help mobilize groups left out of the political process (Frumkin, 2002a). Some argue that these functions might become less important to organizations the more they rely on market principles and seek greater levels of earned income. My findings, however, fail to show an effect of fee income on advocacy activities. Interestingly, government income was a positive predictor of advocacy activities, suggesting perhaps that groups receiving government funding are incentivized to engage in various advocacy activities in order to safeguard their funding streams. This finding is particularly intriguing as government funding sometimes places limits on advocacy activities, although nonprofit public charities are allowed to engage in a reasonable amount of such activities.

Government Funding

Although this study focuses on the impact of fee income on numerous organizational characteristics, the apparent influence of government funding should also be underscored.[27] The correlation matrix (Table 5-3) revealed the frequency of statistically significant correlations between government funding and many of the outcome variables in my study. Furthermore, the

[27] For a more in-depth exploration of government funding and NHSOs, see Garrow (2008).

hypothesis test results confirmed that government income does in fact have a statistically significant relationship with many outcomes (e.g., non-English services, collaboration, competition, the percentage of minority employees, the percentage of minority board members, non-white leadership, voluntarism, and advocacy).

Interestingly, in some of the cases where fee income and government funding both showed an impact (i.e., for-profit competition, volunteer reliance), relationships were shown to have the same direction. In some ways, this speaks to the similarities of the services being offered, regardless of whether income derives from paying clients or non-paying clients served under a government contract. In the cases where the impact directions were different, or where only either fees or government (not both) produced an effect, those cases might be better explained by differences in the diversity of the organization's demographics and by requirements specific to government funding (e.g., more inclusive client-base, requirements for collaboration, etc.). In other words, even in cases where commercial NHSOs and those funded more heavily by government offer similar services, the resources themselves might carry different stipulations for how and for whom they can be spent. With program fees, resource generation is driven by the clients themselves, and although government can have some influence (by way of vouchers or other public benefits), NHSOs are not beholden to specific service parameters by an institutional funder. Government contracts and grants typically define the target population for providers—a way to ensure that public tax dollars fund accessible services—and hold organizations accountable for meeting service requirements.

The findings related to government funding are particularly relevant given the importance of government revenue streams among NHSOs. While government grants and fees from government sources account for 32% of nonprofit revenue nationwide, they make up nearly half of revenues among NHSOs—and, nationally, human services is the most reliant subsector on government grants. While fee-for-service revenue accounts for more than half of NHSO income nationwide, fees for services and goods from government sources accounts for 47% of all fee income.

Theoretical Contributions

The broader literature exploring the impact of commercialization on nonprofit human service providers is extensive—and growing. Even amid some null findings, the results of my study support and inform previous research in this area while providing new insights. The relevance of resource dependence theory persists in the contemporary resource environment and the influence of financial resources appears evident in my study findings. Socio-demographic trends as well as shifts in the political and institutional environment have greatly affected NHSOs in recent years, fostering and helping to spread a market logic that exerts pressures on organizations to focus on revenue generation, efficiencies, and competitive advantage (Gronbjerg, 2001; Hasenfeld, 2010). Study results suggest that a market logic may in fact have some impact on the landscape of NHSOs that rely on charging fees to generate income. At the same time, findings suggest that perhaps NHSOs are resisting some of the "reform pressures" from the private sector, and maintaining adherence to more traditionally nonprofit institutional logics (Knutsen, 2012). With the continuing impact of government funding, one must also consider the potential impact of a government logic on NHSO behavior and characteristics.

Resource Dependence Theory

A tumultuous resource environment, in which organizations strive for financial sustainability in an ever-fluctuating competitive arena, provides the context for this study. With increased competition for funding from all sources, the contemporary resource environment for nonprofits is more challenging and complex than ever before (Lauffer, 2009). This trend leads to important questions about how the pursuit of various revenue streams might impact organizations.

Resource dependence theory provides an appropriate lens through which to ask questions and test assumptions about how organizations will operate depending on the origins of their main revenue streams. Pfeffer and Salancik's (1978) assertion that the key to organizational survival is the ability to acquire and maintain resources seems almost rudimentary, but their observations speak to the importance of organizational adaptation. Due to the common challenges of resource inadequacy, instability, and unpredictability, NHSOs are forced to modify behavior in pursuit of optimal resource acquisition (Froelich, 1999). Organizational attempts to modify relationships with the funding environment, whether it be through commercial activity or otherwise, lay at the heart of resource dependence theory (Froelich, 1999).

This theoretical framework is useful for understanding the relationship between organizational action and environmental conditions and actors (Eikenberry & Kluver, 2004). This relationship is at the heart of the central issue of this study: distinctions among organizations that rely more heavily on fees and charges relative to other forms of revenue, namely government funding. This study is most interested in NHSO reliance on fee-paying clients and customers as primary resource providers, and compares attributes of organizations reliant on these sources relative to those relying more heavily on other income sources.

This study explores how sample organizations interact with the resource environment in attempts to maximize fee income, be it through targeting specific populations, engaging in competitive practices, or undertaking internal strategies to better maximize revenue from fees.

Based on the study results, it would appear that a fee-for-service revenue model is associated with NHSOs seeking out a less marginalized clientele (i.e., groups with greater means to pay for services). This behavior provides an illustrative example of attempts to optimize resource acquisition.

Unsurprisingly, results also demonstrate that fee income predicts higher levels of competition with for-profit groups, suggesting that either (a) NHSOs are moving into areas in which for-profits already operate or (b) for-profits are moving into traditionally nonprofit task environments. In either case, to some extent NHSOs that rely on fees are implementing for-profit strategies in order to stay competitive.

The lack of association between fee income and business-like accountability and management tactics supports the notion that the entire nonprofit resource environment has increased its level of expectation when it comes to agency operations. In other words, public and private funders—not just provider-seeking clients—also incentivize organizations to focus more on data collection, performance measurement, controlling costs, and strategic planning. Perhaps these nonprofit activities no longer warrant the term "business-like."

Institutional Logics

Shifts in the institutional environment for social service organizations provide a key contextual backdrop for this study. As stated earlier, over the last 30 years, the U.S. social service sector has gradually shifted away from a primary focus on poor and low-income populations, increasingly targeting a broader client base (Salamon, 1995). Previous research suggests that a pro-business zeitgeist has begun to permeate the nonprofit social service sector, and NHSOs have become more acquainted with business concepts, strategies, and practices;

even terms like customer and marketing have become commonplace among more commercialized nonprofit organizations.

This recent marketization has elevated the prominence of pro-business values among NHSOs, indicative of a new market logic in the field (Eikenberry, 2009; Salamon, 1993). Commercialization cannot be separated from the organizational or managerial trends that accompany it. Moore (1998), in reference to the changes occurring in the management landscape among social welfare organizations, warned of New Managerialism's potential threat to the historic mission and identity of such organizations.

To be sure, the public sector—not just the nonprofit sector—has also experienced a permeation of market methods, ideologies, and values (e.g., New Public Management) (Eikenberry & Kluver, 2004). As such, the emergence of a market logic has not only impacted the nonprofit sector, but the public sector as well. This trend might explain why fee income and government revenue had similar impacts on several dependent variables in my analyses.

Is the new nonprofit marketplace, as described by Ryan (1999), indeed creating hazards for NHSOs and compromising nonprofit missions? Do the study findings suggest that there is a commercial culture that paints distinctions between organizations that rely more heavily on fee income than those that do not? This study set out to answers these questions by testing whether a market logic, represented by the pursuit of income from fees and charges, is negatively associated with various forms of diversity, reliance on volunteers, and advocacy activities—all considered traditional nonprofit organizational pillars. As mentioned, with the exception of voluntarism, the results did not suggest that a pattern or relationship exists.

Pursuing fees does not appear to affect diversity among staff, board members, or senior executives; and fee-reliant NHSOs are not less likely to engage in advocacy activities. Even so, the fact that increased reliance on fees did predict lower probability of volunteer reliance does offer some evidence that a market logic might be influencing organizational behavior. This analysis attempted to control for variations in primary organizational service categories, but the probability of volunteer activity, as stated earlier, might also relate to the fit between particular service modalities and the level of value and skill that volunteers can bring.

This study leaves room for a deeper investigation into how a variety of logics can impact organizations and might influence the actual technologies being employed. After all, NHSOs are complex organizations and, like many types of nonprofits, experience conflicting institutional logics in their everyday existence (Hasenfeld, 2010). This study mainly seeks to identify the influence of a market logic, but findings suggest that government funding—which carries its own set of institutional influences—also plays an important role among these organizations.

In terms of technologies, although I examine structural and administrative differences among organizations, differences in the actual services themselves among agencies are not explored. While primary organizational activity areas are considered, there may still be a diversity of technologies implemented within the same subfield. For instance, two organizations in the same field might employ technologies that vary greatly in terms of duration, intensity, and frequency of contact. It would be of interest to test whether fee reliance tends to predict particular types of technologies over others. For instance, might commercial NHSOs be less likely to offer interventions that are longer in duration or higher in costs than non-commercial NHSOs?

Thoughts on the Potential for Reverse Causality

In consideration of the study's findings, and in the absence of a distinct temporal precedence among the variables being analyzed, one must heed caution when implying causal trends. Ultimately, without a longitudinal assessment, this study analyzes degrees of association and the strength of relationships. This issue is described later as one of the study's limitations, but a discussion of the potential implications of reverse causality is warranted. For instance, within the context of resource dependency, this study assumes that as organizations pursue fees (the independent variable) they become less likely to serve marginalized populations (the dependent variables). One might choose to explore this phenomenon in the reverse order, therefore asking whether serving marginalized populations (as the independent variable)—the antecedent—predicts decreased reliance on fee income (as the dependent variable). In this example, the assumption would be that organizations that historically serve low-income clients would, due to that fact, choose not to pursue fee income. Put a different way, the assumption would be that NHSOs serving a higher percentage of disadvantaged populations would be less likely to draw influence from a market logic. This scenario, of course, downplays the pressures of the resource environment and the emerging trends that provide such critical context for this study.

Amidst the marketization and other transformations that have occurred in human services over last 30 years, the pressures (from both the resource and institutional environments) for NHSOs to become more entrepreneurial have been well-documented. These trends raise important questions, including the central research questions in this study, about what happens to NHSOs when they rely more heavily on fee income. In attempts to answer the questions set forth herein, employing fees as the key independent variable seemed most intuitive. In attempts to isolate the impact of fee income on the various dependent variables in my analyses, with few exceptions the regression models largely included the same set of control variables. By doing so, and also controlling for the percentage of government revenue, I was better able to explore the distinctions between the impacts of fee-reliance versus government-reliance among NHSOs.

Since commercialization is largely tied to shifts in government funding, this study made explicit attempts to account for and analyze the influence of government revenue. If reliance on fee income was analyzed as the dependent variable, the analyses would have failed to capture the influence of government sources—an important, even if not central, set of findings—on the organizational attributes being explored. The ability to compare the association between fee income and the dependent variables to the association between government income and those same variables adds considerable value to the study. After all, where fee-for-service income represents more than half of all income among NHSOs nationwide, fees from government sources represents nearly half of this crucial revenue stream.

Ultimately, additional information (e.g., time series data on revenue stream reliance) about the sample organizations would be required to more closely examine the relationship between fee income and the various dependent variables. Without the ability to pinpoint causality, in either direction, the value of the study results rests in the strength of association between fee reliance and the organizational characteristics being explored.

Policy Implications

The institutional context in which NHSOs engage in commercial activity continues to evolve, creating greater imperative—and greater opportunity—to study these phenomena. As the market economy slowly rebounds from the downturn of 2007-2009, the nonprofit economy seeks its own regeneration. More than ever, nonprofits across subsectors are experiencing pressure to implement earned income strategies to create competitive advantage in an increasingly cutthroat resource environment. Despite a new wave of federal investments in social and community-based strategies (e.g., the American Recovery and Reinvestment Act of 2009, the Social Innovation Fund, etc.), public funding fails to keep pace with the demand for human services. Private philanthropy has proven to be an insufficient stopgap, and so nonprofits have faced even more pressure to become entrepreneurial and generate income. As a result, a growing need exists for more information about and analysis of the extent of the implications of this trend.

Even with an increase in for-profit provider presence in the social service landscape, nonprofits will continue to play the largest role in private contracting of government social services. Relative to other industrialized nations, the U.S. continues to minimize the role of the public sector in the delivery of social welfare services—and this does not figure to change in the near term (Smith & Lipsky, 1989).

This study has been focused on what might happen if NHSOs continue to become more commercialized. How will organizations look and act differently if they are forced—or consciously choose—to rely more heavily on program fees and charges or other forms of commercial income? Some have already suggested, and even found evidence to support, that nonprofits can struggle to transfer management practices or other organizational behaviors from business firms (Beck, et al., 2008). If increased reliance on commercial income proves to shift target populations among NHSOs, government regulation might be required to help ensure that those most in need have adequate access to services (Aspen Institute, 2001). The biggest policy areas of concern figure to be around issues of access and diversity as well as the privileges bestowed upon public charities.

Access and Diversity

The issue of access and diversity continues to garner a high level of attention in the nonprofit sector, particularly because high-need communities in urban areas tend to over-represent minority populations. As pointed out in this study, commercial trends among NHSOs threaten to negatively impact service access in so far as pressures to adopt income-generating activities may alter the demographic make-up of clients. The study findings suggest that as NHSOs rely more on program fees and charges, they are less likely to serve minority clients and offer non-English services—even when controlling for community-level demographics. As one might expect, findings suggest that as NHSOs rely more on government funding, they are more likely, albeit minimally so, to serve non-English speakers. Although the impacts are relatively small, the distinction remains important.

The issue of diversity extends to the demographic profile of NHSO staff, board members, and executive leadership—important factors in terms of organizational effectiveness. Diversity has indeed become a powerful tool for nonprofits in terms of how they relate and appeal to stakeholders (Jacobs & Grant-Thomas, 2011). National studies have shown that nonprofit employees feel that, despite the fact that organizations formally value diversity, employers fail to create an adequately diverse and inclusive work environment (Schwartz, et al., 2011). In recent years, this topic has attracted attention from scholars, policymakers, and advocacy groups who claim that nonprofit diversity lags behind population diversity, or that institutional philanthropy has underfunded minority-led efforts (De Vita & Roeger, 2009). In several U.S. states, including

California and Florida, legislators have proposed policies that would require private foundations to provide more detailed reports about the demographic make-up of their grantees' staff and boards (Foundation Center, 2010). As a result of these efforts, ten of the largest foundations in California formed a coalition whose mission is to strengthen minority nonprofit leadership (Greenlining Institute, 2012). This movement to "democratize philanthropy" bears relevance in the debates around the impact of commercial income and whether this institutional shift and emergence of a market logic will potentially threaten access and diversity within organizations.

If, for instance, commercial pressures worked to undermine this philanthropic push for more diversity, then perhaps private foundations or other institutional funders would seek capacity building initiatives to help organizations combat the influence of such market pressures. In terms of the make-up of staff, board members, and executives, the effect of program fee reliance is not so clear in this study. Findings suggest that income from fees does not impact the probability that an organization will have 50% or more minority employees, 50% or more minority board members, or a minority executive staff. These findings may allay some concerns, although fees and charges represent only one form of commercial income. Further research is required to test whether other forms of commercial income (e.g., enterprise sales) could have a deleterious effect on diversity.

Preferential Tax Treatment

The struggling economy has also reinvigorated debates concerning the nonprofit sector's preferential tax treatment, or more specifically, charitable tax deductions for donations to 501(c)(3) public charities as well as nonprofit tax exemption more generally. The Joint Committee on Taxation (2011) estimated that between 2010 and 2014, government will lose more than $245 billion due to charitable tax deductions. To be sure, commercial activity in the nonprofit sector has spurred debate around special tax treatment for several years now (Ben-Ner & Gui, 2003; Dees, 1999). Due to the rise in commercial activity in recent decades, this dialogue was well underway even before the economic downturn. Detractors claim that as the distinction between nonprofits and for-profits erodes, so does the justification for preferential tax treatment.

As depleted public coffers force lawmakers at all levels of government to reconsider tax advantages to both donors and exempt organizations, NHSOs are at risk of losing even more of their vital financial resources. In many states, tax exemption allows nonprofits to forego property tax, sales tax, as well as corporate state income taxes (Galaskiewicz & Bielefeld, 2003). In major cities such as Philadelphia, Boston, Baltimore, and New York, the estimated value of nonprofit-owned property nears 10% of the city's total property value (Lipman, 2006). In response to public pressures, some cities are testing Payments in Lieu of Taxes (PILOTs), new programs in which nonprofits make voluntary payments to local governments as a substitute for property taxes (Kenyon & Langley, 2011; Smydo, 2012). These types of arrangements, in which nonprofits incur additional expenses, might become more commonplace if government views nonprofit activity as becoming more commercial.

Some of the findings in this study suggest that if nonprofits are indeed increasing their reliance on fee income, it is possible that NHSOs will less effectively fulfill their mission to serve the most disadvantaged populations. As a result, the justification for tax exemption might become harder. If nonprofits appear to violate or de-emphasize their commitment to providing public goods, their benefits may indeed face increased political threats (Dees, 1999). Perhaps nonprofits that are heavily dependent on fee-for-service revenue will encounter new requirements to document mission activity as a condition of retaining their full tax-exempt status and benefits (Aspen Institute, 2001). These requirements might well mirror the implementation of unrelated business income tax (UBIT) (see Chapter Two), in that organizations would be required to demonstrate that fee-for-service revenue does not effectively “price out” a substantial number of low-income or disadvantaged individuals that might otherwise have received services.

Practice Implications

The issues explored in this study bear relevance for social work education and for related fields (e.g., nonprofit management, public administration), as students preparing for careers in human services must understand the evolving complexities of the nonprofit resource environment. If students are exposed to the potential for mission-margin tension, and are able to focus on constructive strategies that address the growing need for entrepreneurial activities in tandem with improved performance outcomes, graduate programs will produce a better prepared stock of future staff and leaders—vital resources for sectorwide organizational growth and survival.

Social work education has long provided administrative tracks for students interested in pursuing careers in management or policy settings, and in recent years a growing number of social work schools and departments have introduced specializations focused specifically on social enterprise and social entrepreneurship. These areas of concentration provide critical opportunities for future leaders to acquaint themselves with the evolving role of the market in social services. Illustrative of the blurred lines between nonprofit and for-profit, business schools and management programs have also increasingly begun to offer nonprofit concentrations and curricula focused on social enterprise and social entrepreneurship. In order for social work programs to remain competitive among potential students interested in administrative career paths, they will likely need to increase their coursework focused on these increasingly relevant topics.

This evolution in the educational landscape both influences market orientation among nonprofits and is also a byproduct of marketization. This study's findings reinforce the need for nonprofit managers to mind the balance between income generation and mission pursuit. Social work educators, in particular, because of the field's focus on social justice and service quality, must equip students with the ability to navigate market pressures while ensuring service access, inclusion, and effectiveness. Social work students are introduced early-on to the ethical obligations to ensure reasonable fee and payment structures, efforts that should take into account a client's capacity to pay. In turn, students must be prepared for the potential ethical tensions that exist in the field.

Limitations

This study has several limitations that warrant highlighting. First, as mentioned previously, the survey data is cross sectional, and so in the absence of temporal precedence, regression coefficients signify association rather than causality. Without a longitudinal assessment of survey responses, one cannot infer how changes in commercial revenue reliance over time might impact the outcomes of interest. The single point-in-time responses also disallow observing any isomorphic tendencies among sample organizations whereby market logic adoption might become more or less prevalent over time. A longitudinal analysis would help characterize the commercialization trend among NHSOs in LA County, perhaps offering a sense of where the local nonprofit sector is in terms of commercial influence. Perhaps commercialization has been slow to catch on in LA or, inversely, perhaps market orientation has already become widespread.

The use of binary outcomes in my regression analyses also signifies a somewhat limited exploration of the impact of fee income. For several of the dependent variables, due to non-normal distributions, I created dichotomous cut-points (i.e., less than 50% vs. 50% or more). By doing so, my analyses fail to capture nuanced associations that might have otherwise demonstrated different effects at lower or higher values of the dependent variable. For additional information on the characteristics of the dependent variables, see Appendix D.

Demographic data for clients (in addition to board members and staff) are also limited in that they do not include income levels. In the current study, non-white status is used as a proxy for measuring disadvantage. In reality, minorities in these positions may not necessarily or consistently represent low-income populations.

The study also does not include outcomes that measure financial viability or organizational growth over time. Further explorations of the data may yield answers to the question of whether forms of commercial income influence the growth or decline of NHSOs.

In terms of the primary organizational activity areas analyzed in the study, these general categorizations provided by NCCS often fail to account for more general service provision that intersects several different service categories at once. In other words, two NHSOs with different Core Code categorizations might very well provide similar services, therefore eroding the distinction implied by the respective, and perhaps deceptive, categorizations. This issue might help explain the inconsistent findings as they relate to the influence of primary organizational activity on many of the outcomes in this study.

Due to data limitations, I am only exploring the implications of revenue from fees and charges—just one form of commercial revenue. Receipt of earned income through sales or unrelated business income may have different impacts on organizational behavior and characteristics, but because of insufficient data in the sample I chose not to explore those revenue streams. This is a critical limitation of the current study, but represents a research imperative moving forward. Fees and charges for program services, while still representing commercial activity within the context of this study, may in fact have a very different impact on organizations than sales from social enterprises or unrelated business operations.

Also, the results of the analyses cannot be generalized beyond Los Angeles County. LA County is hard to compare to other parts of the country because of its immense population, large local economy, expansive geography, and high degree of diversity. Perhaps among LA County NHSOs, fee income carries a particular type of influence relative to other resource environments. To explore this issue is beyond the scope of this dissertation. Furthermore, the results in this study are only generalizable to human service organizations. Fee income and other forms of commercial revenue may impact other segments of the nonprofit sector (e.g., arts and culture, education, health, environmental, etc.) in different ways.

In addition, study results are only reflective of organizational activity in 2002, and do not account for the shifts in the resource environment caused by the recent economic downturn. In light of the additional resource pressures experienced by nonprofits, especially those serving at-risk populations particularly hard hit by the downturn, a more recent examination of fee reliance is warranted in the post-recession economy.

Need for Future Research

The limitations described above illuminate a number of areas ripe for future exploration. The field would benefit from a longitudinal study of the impact of commercial income on nonprofit operations. To explore how changes in reliance on fees or other forms of commercial income over time predict various organizational and client characteristics would be extremely insightful. This analysis would also reveal how reliance on commercial income tends to change over time, and whether certain types of organizations are more or less likely to experience growth in this form of revenue. A longitudinal study could also examine whether or not commercial income predicts financial sustainability, growth, or, with the proper measures, improved program quality or performance. To pursue the potential benefits of commercial activity over time would provide some contrast to the more common examinations of the potential threats and downsides to commercialization.

Furthermore, in light of the recession's impact on NHSOs, exploring the role of program fees, and the extent to which reliance on fees might have shifted as a result of the downturn, would provide meaningful insights. If the importance of fee income among NHSOs has changed in the wake of the recession, knowing if these changes are coupled with any number of service trends or organizational changes would shed new light on this study's findings.

The diverse mix of commercial income also warrants further research. So while fee income was not shown to have an impact on certain organizational characteristics (e.g., board diversity, advocacy activities, etc.), other forms of commercial revenue (e.g., social enterprise sales, etc.) might very well reveal such effects. The operation of nonprofit social enterprises has garnered a great deal of attention in recent years, and the heightened focus on sustainability and earned income means that organizations are likely to increase their exploration of such business models. But how might services or other forms of organizational behavior be influenced by an increased focus on business operations and enterprise revenue-generation?

On the one hand, the pursuit of social enterprise income or sales does not imply, as is generally the case with program fees, that customers are also clients. Whereas a fee-for-service model relies on paying clients, carrying the potential to shift consumer demographics, social enterprise models might target paying customers who bear no relationship with the client population—thus avoiding mission drift as it relates to a client profile shift. From a resource dependence perspective, if enterprise activities do not require a paying client-base, then the organization might be less likely to disrupt client services.

On the other hand, the influence of a market logic is likely to be more profound in organizations that employ social enterprise models. As a result, even if clients are not enterprise consumers per se and do not experience the threat of being "priced out" due to a fee-for-service revenue structure, concerns might arise if enterprise activities are increasingly drawing attention away from services and programs.

The issue of service quality differential among NHSOs that rely on commercial income is also worthy of further study. The number of clients (or clients of a specific subgroup) that an agency serves offers only a rudimentary gauge of service provision—a largely quantitative assessment. The amount of contact time, the resource investment, and the quality or effectiveness of the services—a more qualitative account—would have to also be captured in order to arrive at a more substantive assessment of service delivery. In the same ways that scholars study service quality differences between nonprofit and for-profit providers, looking at commercialization's impact on service quality among NHSOs would help to better ascertain the extent to which some organizations truly act as for-profits in disguise.

On a more general note, future research would benefit from an increased emphasis on capturing more refined and nuanced data through the use of carefully designed surveys. In light of some of the data limitations described herein, the field would benefit from survey instruments that can better measure key variables (e.g., clients' socio-economic status). In addition, thoughtful survey design will allow for scale constructions that might well offer more reliable or appropriately timely measures of certain organizational activities (e.g., business-like management practices, etc.)

Conclusion

Nonprofit human service organizations play a critically important role in our society by redistributing resources to underserved populations, providing much-needed services to disadvantaged groups, and giving a voice to the most disenfranchised (Patti, 2009). In an era when growing demand for human services is coupled with more competition for scarce resources, NHSOs are increasingly faced with tough and complex challenges. If these organizations more frequently have to implement earned income strategies and charge fees for service, then what will happen to those lowest on the socio-economic spectrum? Will government be forced to more directly assume greater responsibility for the most disadvantaged? If Abramovitz and Epstein's (1983) 30-year-old adage that "services for the poor quickly become poor service" remains true, then might the most vulnerable populations find themselves on the receiving end of lower quality services?

The answers to these questions will perhaps help further define—or redefine—the American social contract, as the burden to help those most in need may very well shift among institutions. Less pronounced than the social policy pendulum swings of the 1930s, 1960s, and

1990s, this “creeping” evolution in the nonprofit sector will likely foster notable policy shifts. While this study has attempted to gauge the extent to which reliance on program fees and charges might adversely impact an NHSO’s ability to adhere to its mission, a more refined approach to exploring this issue is warranted. While charging fees does appear to predict certain organizational trends (e.g., lower probability of serving minority clients or offering non-English language services), raising questions about the implications of fee-for-service reliance, further exploration is required to measure and better understand the balance between mission purity and commercial resource pursuit and acquisition.

The jury is still out on the extent to which NHSOs writ large are threatening to become “once charitable enterprises” like many hospitals at the turn of the twentieth century. But three decades of research demonstrates that commercialization does carry consequences of concern. The findings in this study reaffirm some—albeit not all—of those concerns, particularly around the issue of access to services for the most disadvantaged populations.

APPENDICES

Appendix A

THE LOS ANGELES NONPROFIT HUMAN SERVICES SURVEY

SECTION A

A1. First I'd like to ask about the status of your organization. Does your organization have 501(c)(3) status? (A1)

YES .... 1 (SKIP TO A2)
NO 2
REFUSED .... -7
DON'T KNOW .... -8

A1a. Has your organization applied for 501(c)(3) status but not yet received formal approval? (A1A)

YES .... 1 (SKIP TO A2)
NO 2
REFUSED .... -7
DON'T KNOW .... -8

A1b. Is your organization receiving funding through another 501(c)(3) organization? (A1B)

YES 1
NO .... 2 (SKIP TO A1c)
REFUSED .... -7 (SKIP TO A1c)
DON'T KNOW .... -8 (SKIP TO A1c)

A1b1. What is the name of that organization? (A1B1)

[60 SPACES] .... (SKIP TO A2)
REFUSED .... -7
DON'T KNOW .... -8

A1c. Is your organization a branch of a larger 501(c)(3) organization? (A1C)

YES .... 1 (SKIP TO A2)
NO 2
REFUSED .... -7
DON'T KNOW .... -8

BOX A-1
IF A1a, A1b, AND A1c ARE ALL NO, THEN ORGANIZATION IS INELIGIBLE.

"Let me confirm the name and address of your organization. I have [FILL FROM CONTACT]."
CONFIRM
IF CORRECT: "Okay. That's all the questions I have at this time. Thanks for your help."

IF INCORRECT: RECORD CORRECT INFORMATION, THEN: "Okay. That's all the questions I have at this time. Thanks for your help." (INELNAME, INELSTRT, INELST, INELZIP)

A2. Is your organization an exclusively grant-making foundation? (A2)

YES .... 1 (SKIP TO BOX A-2)
NO 2
REFUSED .... -7
DON'T KNOW .... -8

A2a. Is your organization strictly a program of another organization?

YES .... 1 (SKIP TO BOX A-2)
NO 2
REFUSED .... -7
DON'T KNOW .... -8

A3. Is your organization an exclusively supporting organization to another non-profit organization [IF NEEDED: That would be activities like fund-raising or providing technical assistance to another non-profit]? (A3)

YES .... 1 (SKIP TO BOX A-2)
NO 2
REFUSED .... -7
DON'T KNOW .... -8

A4. Is your organization a religious congregation [IF NEEDED: such as a church, synagogue, or mosque]? (A4)

YES .... 1 (SKIP TO BOX A-2)
NO 2
REFUSED .... -7
DON'T KNOW .... -8

BOX A-2
IF yes to A2, A2a, A3, or A4, THEN ORGANIZATION IS INELIGIBLE.
(SAME VARS AS BOX A-2)
"Let me confirm the name and address of your organization. I have [FILL FROM CONTACT]."

IF CORRECT: "Okay. That's all the questions I have at this time. Thanks for your help."

IF INCORRECT: RECORD CORRECT INFORMATION, THEN: "Okay. That's all the questions I have at this time. Thanks for your help."

A5. Which of the following best describes your organization? (A5, A5OS)

A stand-alone organization. .... 1 (SKIP TO A6)
A branch of a multi-site organization, ... 2 (SKIP TO A6)
The headquarters of a multi-site organization, or 3
Something else? (SPECIFY: [45 SPACES]__________) .... 91 (SKIP TO A6)
REFUSED .... -7 (SKIP TO A6)
DON'T KNOW .... -8 (SKIP TO A6)

A5a. Will you be answering questions for all of your organization's sites in Los Angeles County, or just for your headquarters? (A5A)

ALL SITES 1
ONLY HEADQUARTERS 2
REFUSED .... -7
DON'T KNOW .... -8

A6. Is your organization a faith-based organization [IF NEEDED: Such as, affiliated with a specific religious denomination]? (A6)

YES 1
NO 2
REFUSED .... -7
DON'T KNOW .... -8

A7. In what year did your organization start operating or providing services? (A7)

YEAR |___|___|___|___| [RANGE 1800 – 2002]
REFUSED .... -7
DON'T KNOW .... -8

A8. Can you briefly state the main mission of your organization? [60 SPACES, 10 LINES] (A80-A89)

____
____
____

REFUSED .... -7
DON'T KNOW .... -8
RF/DK ONLY VALID ON FIRST LINE

A9. Please name and describe briefly the two programs or services that use most of your organization's resources.

A9a1. MOST BUDGETED PROGRAM NAME: [60 SPACES]___________________ (A9A1)
REFUSED .... -7
DON'T KNOW .... -8

A9a2. PROGRAM DESCRIPTION: [60 SPACES, 2 LINES; NOT REQUIRED]________________(A9A2A,A9A2B)
REFUSED .... -7
DON'T KNOW .... -8
RF/DK ONLY VALID ON FIRST LINE

A9b1. SECOND-MOST BUDGETED PROGRAM NAME: [60 SPACES]_______________ (A9B1)

REFUSED.. -7

DON'T KNOW.. -8

HIT ENTER IF NO SECOND PROGRAM

A9b2. PROGRAM DESCRIPTION: [60 SPACES, 2 LINES; NOT REQUIRED]_______________(A9B2A,A9B2B)

REFUSED.. -7

DON'T KNOW.. -8

RF/DK ONLY VALID ON FIRST LINE

[FENCEPOST HERE]

SECTION B

Next I would like to ask you some questions about how your organization serves its community.

B1. How would you describe the primary geographic area served by your organization (IF NEEDED: a specific neighborhood or region, Los Angeles County, the State, or some other geographic area)? Please be specific. (B1)

[60 CHARACTERS]____

REFUSED	-7
DON'T KNOW	-8

B2. Do those who use your services directly pay any fees to you? (B2)

YES	.1
NO	.2(SKIP TO B3)
SOME DO, SOME DON'T	.3
REFUSED	-7(SKIP TO B3)
DON'T KNOW	-8(SKIP TO B3)

B2a. Do your fees vary by any of the following: (B2A1,B2A2,B2A3,B2A4,B2A5,B2AOS)

		YES	NO	RF	DK
1.	Type of service provided?	.1	2	-7	-8
2.	Amount of service provided?	.1	2	-7	-8
3.	The financial capability of those who use the service?	.1	2	-7	-8
4.	The age of the person served?	.1	2	-7	-8
5.	Some other way? (SPECIFY)	.1	2	-7	-8

[45 SPACES]____

B3. Does your organization provide services in any language other than English? (B3)

YES	.1
NO	.2(SKIP TO B3b)
REFUSED	-7(SKIP TO B3b)

DON'T KNOW.. -8 (SKIP TO B3b)

B3a. In which languages are services provided? [PROBE: Any others?] (B3A0-B3A9)

[10 FIELDS; 20 CHARACTERS PER FIELD]____

[PRESS ENTER IF NO OTHERS]

REFUSED.. -7

DON'T KNOW.. -8

RF/DK ONLY VALID ON FIRST LINE

B3b. Throughout the rest of the survey, I'll be asking you to answer questions about your last completed fiscal year. What were the beginning and ending dates for your most recently completed fiscal year?

BEGINNING YEAR/MONTH/DAY |___|___|___|___|/ |___|___| / ___|___| [RANGES: YEAR 2000-2002; MONTH 1-12; DAY 1-31] (BYEAR, BMONTH, BDAY)

END DAY/MONTH/YEAR |___|___|___|___|/ |___|___| / ___|___| [RANGES: YEAR 2000-2002; MONTH 1-12; DAY 1-31 (EYEAR, EMONTH, EDAY)

IF RF OR DK, REMAINDER OF SURVEY DEFAULTS TO PAST 12 MONTHS

B4. Are your programs or services directed towards individuals, organizations, or both? (B4)

Individuals.......... 1 (SKIP TO B4b1)
Organizations 2
Both.......... 3
REFUSED.......... -7 (SKIP TO SECTION C)
DON'T KNOW.......... -8 (SKIP TO SECTION C)

B4a. During your most recently completed fiscal year, that is, between [FILL WITH B3b BEGINNING DATE] and [FILL WITH B3b END DATE], approximately how many organizations did your organization serve? (B4A)

NUMBER OF ORGANIZATIONS |___|___|___| (GO TO BOX B-1) [RANGE: 1-999]

REFUSED.......... -7 (GO TO BOX B-1)
DON'T KNOW.......... -8 (GO TO BOX B-1)

BOX B-1.
IF B4=2, SKIP TO SECTION C
IF B4=3, GO TO B4b1

B4b1. During your most recently completed fiscal year, [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)] approximately how many individuals did your organization serve in [FILL NAME OF HIGHEST BUDGETED PROGRAM]? Please give an unduplicated count, if possible. (B4B1)

NUMBER OF INDIVIDUALS |___|___|___|___|___| [RANGE 1-99999]
REFUSED.......... -7
DON'T KNOW.......... -8

B4b2. During your most recently completed fiscal year, [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], approximately how many individuals did your organization serve in [FILL NAME OF SECOND-HIGHEST BUDGETED PROGRAM]? Please give an unduplicated count, if possible. (B4B2)

NUMBER OF INDIVIDUALS |___|___|___|___|___| [RANGE 1-99999]
REFUSED.......... -7
DON'T KNOW.......... -8

B5. Overall, of the people who used or participated in your programs or services during your most recently completed fiscal year, [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], approximately what percent were: (B5A, B5B, B5C)

Children and youth under age 18? .... |___|___|%[RANGE 0-100]
Adults between the ages of 18 and 65? .... |___|___|%[RANGE 0-100]
Seniors (65 years old or older)? .... |___|___|% [RANGE 0-100]
REFUSED .... -7
DON'T KNOW .... -8

B6. Overall, of the people who used or participated in your programs or services during your most recently completed fiscal year, [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], approximately what percent were: (B6A, B6B, B6C, B6D, B6E, B6OS)

African-American? .... |___|___|%[RANGE 0-100]
White? .... |___|___|%[RANGE 0-100]
Latino (Hispanic)? .... |___|___|%[RANGE 0-100]
Asian? .... |___|___|%[RANGE 0-100]
Other (SPECIFY)________________________________ .... |___|___|%[RANGE 0-100]
REFUSED .... -7
DON'T KNOW .... -8

B7. In the past three years, that is, since [FILL WITH CURRENT MONTH] 1999, would you say that the total number of individuals served by your organization has: (B7)

Increased , ... 1
Decreased, or 2
Stayed about the same? .... 3 (SKIP TO C1)
REFUSED .... -7 (SKIP TO C1)
DON'T KNOW .... -8 (SKIP TO C1)

B7a1. By what percent did they [FILL RESPONSE FROM B7]? |__|__|__|% [RANGE: 1-999] (B7A1)
REFUSED .... -7
DON'T KNOW .... -8

B7a2. What are the main reasons for the change? [PROBE: Any other reasons?] ((B7A20-B7A24)

[60 SPACES, 5 LINES]____

____

____

REFUSED .... -7
DON'T KNOW .... -8
RF/DK ONLY VALID ON FIRST LINE

SECTION C

INTRO_C. Next, I would like to ask you some questions about your organization's participation in advocacy. By advocacy, I mean trying to advance the interests of a group or a public issue by influencing public policies, policy makers, business leaders, or other decision makers. This is not just lobbying as strictly defined by the IRS, it can include many other activities such as community organizing or belonging to a coalition that advocates. [PRESS ENTER TO CONTINUE]

C1. Is your organization actively involved in advocating or promoting certain policy issues, or the interests of a certain group or groups? (C1)

YES	1	
NO	2	(SKIP TO D1)
REFUSED	-7	(SKIP TO D1)
DON'T KNOW	-8	(SKIP TO D1)

C1a. Please briefly describe the policy issues or groups your organization is involved in advocating. [PROBE: Any other issues?] (C1A0-C1A4)

[60 SPACES, 5 LINES]____
____
____

REFUSED	-7
DON'T KNOW	-8

RF/DK ONLY VALID ON FIRST LINE

C2. During your most recently completed fiscal year, that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE), did your organization: (C2A, C2B, C2C, C2D, C2E, C2F, C2G, C2H, C2I, C2J, C2K, C2L, C2M, C2OS)

	YES	NO	RF	DK
a. Provide testimony on public policy issues?	1	2	-7	-8
b. Participate in government commissions or committees?	1	2	-7	-8
c. Meet with public officials or their staff (either elected or appointed)?	1	2	-7	-8
d. Participate in development or revision of regulations related to public policy?	1	2	-7	-8
e. Participate in coalitions with other organizations for the purpose of influencing public policy?	1	2	-7	-8
f. Write editorials or letters to the editor of newspapers or magazines?	1	2	-7	-8
g. Buy advertising time or space in some type of commercial media for advocacy?	1	2	-7	-8
h. Conduct a demonstration or boycott?	1	2	-7	-8
i. Register staff as lobbyists?	1	2	-7	-8
j. Pay dues to an association or belong to a coalition that advocated or lobbied on your behalf?	1	2	-7	-8
k. Issue policy reports?	1	2	-7	-8
l. Provide public education on policy issues?	1	2	-7	-8
m. Advocate in some other way? (SPECIFY:__[45 SPACES]_________________)	1	2	-7	-8

C3. About what percent of your staff time was devoted to public policy advocacy work during your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)]? (C3)

|___|___|___|% OF STAFF TIME [RANGE 0-100]

REFUSED	-7
DON'T KNOW	-8

C4. In the past three years, that is, since [FILL WITH CURRENT MONTH] 1999, would you say that your organization's advocacy efforts have: (C4)

Increased, ...	1	
Decreased, or............	2	
Stayed about the same?	3	(SKIP TO C5)
REFUSED............	-7	(SKIP TO C5)
DON'T KNOW............	-8	(SKIP TO C5)

C4a. By what percent did they [FILL RESPONSE FROM C4]? (C4A) |__|__|__|% [RANGE 1-999]

REFUSED............	-7
DON'T KNOW............	-8

C5. In the past three years [IF NEEDED: that is, since [FILL WITH CURRENT MONTH] 1999], how effective has your organization been in achieving its advocacy goals? Would you say: (C5)

Very effective............	1
Somewhat effective............	2
Mixed results............	3
Somewhat ineffective............	4
Very ineffective............	5
REFUSED............	-7
DON'T KNOW............	-8

SECTION D

Next I would like to ask some questions about how your organization is funded.

D1. During your most recently completed fiscal year, that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE), did your organization have any expenditures or revenues? (D1)

YES............	1	
NO............	2	(SKIP TO E1)
REFUSED............	-7	(SKIP TO E1)
DON'T KNOW............	-8	(SKIP TO E1)

D2a. During your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], what were your total revenues from all sources (IF NEEDED: gross revenues)? (D2A)

TOTAL REVENUES FROM ALL SOURCES $|___|___|___|___|___|___|___|___|___|
[RANGE 0-999,999,999] [ATM STYLE]

REFUSED............	-7
DON'T KNOW............	-8

D2b. During your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], what were your total expenditures? (D2B)

TOTAL EXPENDITURES $|___|___|___|___|___|___|___|___|___|___|
[RANGE 0-999,999,999] [ATM STYLE]

REFUSED.. -7
DON'T KNOW.. -8

D3. During your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], did you receive funding from: (D3A, D3AAMT, D3B, D3BAMT, D3C, D3CAMT, D3D, D3DAMT, D3E, D3EAMT, D3F, D3FAMT, D3G, D3GAMT, D3H, D3HAMT, D3I, D3IAMT, D3J, D3JAMT, D3K, D3KAMT, D3KOS)

For each yes on the following items, we need to ask the following:
Approximately what was the total amount [of funding]?$ |__|__|__|__|__|__|__|__|__|__|
[RANGE 1-999,999,999, ATM STYLE]

	YES	NO	RF	DK
a. Government grants and contracts (direct program support and contract payments)?	1	2	-7	-8
b. Government reimbursement arrangements (e.g., government insurance, Social Security, SSI, local funding redistribution agencies and other types of third party payments directly from the government)?	1	2	-7	-8
c. Private/non-government third party payments (e.g., insurance payments or payments from other non-government providers)?	1	2	-7	-8
d. Donations from corporations or corporate foundations (including funds from employee matching programs)?	1	2	-7	-8
e. Donations from private and community foundations, including United Way?	1	2	-7	-8
f. Private donations from individuals, including fundraising events and bequests?	1	2	-7	-8
g. Fees and charges for related services?	1	2	-7	-8
h. Sales of products and unrelated business income (e.g., proceeds from products or services that are not directly related to the primary activity of the agency, such as rent as well as proceeds from for profit subsidiaries?	1	2	-7	-8
i. Membership dues?	1	2	-7	-8
j. Earnings from endowments or investments?	1	2	-7	-8
k. Any other sources of revenue not already mentioned? (SPECIFY:_45 SPACES____)	1	2	-7	-8

D4. In the last three years, that is, since [FILL WITH CURRENT MONTH] 1999, have your gross revenues increased or decreased overall? (D4)

INCREASED... 1
DECREASED.. 2
NO CHANGE.. 3 (SKIP TO E1)
REFUSED.. -7 (SKIP TO E1)
DON'T KNOW.. -8 (SKIP TO E1)

D4a. By what percent did they [FILL RESPONSE FROM D4]? (D4A) |__|__|__|% [RANGE 1-999]

REFUSED.. -7
DON'T KNOW.. -8

D4b. Among the income sources I just asked you about, what were the major sources of the [FILL RESPONSE FROM D4]? [PROBE: Any other sources?] (D4B0-D4B4)

[60 SPACES, 5 LINES]

REFUSED.......... -7
DON'T KNOW.......... -8
RF/DK ONLY VALID ON FIRST LINE

SECTION E

INTRO_E. Next, I would like to ask you some questions about volunteers. In answering these questions, please do not include your board of directors. [PRESS ENTER TO CONTINUE]

E1. During your most recently completed fiscal year, that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE), did your organization involve any volunteers, including student interns? (E1)

YES.......... 1
NO.......... 2 (SKIP TO F1)
REFUSED.......... -7 (SKIP TO F1)
DON'T KNOW.......... -8 (SKIP TO F1)

E2. During your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], did your organization involve volunteers [IF NEEDED: including student interns] on an on-going basis? By on-going we mean volunteering regularly at least once a month for the time period they are with your organization. (E2)

YES.......... 1
NO.......... 2 (SKIP TO F1)
REFUSED.......... -7 (SKIP TO F1)
DON'T KNOW.......... -8 (SKIP TO F1)

E3. About how many volunteers [IF NEEDED: including student interns] were involved on an on-going basis during your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)]? (E3)

|__|__|__|__| [RANGE 1-9999]
REFUSED.......... -7
DON'T KNOW.......... -8

E4. About what percent or number of these volunteers were: (E4APERC, E4ANUM, E4BPERC, E4BNUM, E4CPERC, E4CNUM)

a. Women? .... |__|__|__|% or |__|__|__|__|#
b. Retirees? .... |__|__|__|% or |__|__|__|__|#
c. Youth under age 18? .... |__|__|__|% or |__|__|__|__|#

REFUSED.......... -7
DON'T KNOW.......... -8

E5. About what percent or number of these volunteers were: (E5APERC, E5ANUM, E5BPERC, E5BNUM, E5CPERC, E5CNUM, E5DPERC, E5DNUM, E5EPERC, E5ENUM, E5OS)

a. African American? .... |__|__|__|% or |__|__|__|__|#

b. White? ....|__|__|__|% or |__|__|__|__|#
c. Latino (Hispanic)?...|__|__|__|% or |__|__|__|__|#
d. Asian? ....|__|__|__|% or |__|__|__|__|#
e. Other? (SPECIFY: [45 SPACES]________).....................|__|__|__|% or |__|__|__|__|#

REFUSED.. -7
DON'T KNOW.. -8

E6. During your most recently completed fiscal year, [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)] were your volunteers involved in: (E6A, E6B, E6C, E6D, E6E, E6F, E6OS)

		YES	NO	RF	DK
a. Direct service provision?	....	1	2	-7	-8
b. Advocacy?	....	1	2	-7	-8
c. Fundraising?	....	1	2	-7	-8
d. Administrative or office tasks?	....	1	2	-7	-8
e. Public relations?	....	1	2	-7	-8
f. Other activities? (SPECIFY: [45 SPACES]__________________)	....	1	2	-7	-8

E7. On average, how many hours per month did the typical volunteer work for your organization during your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)]? (E7)

HOURS |___|___|___| [RANGE: 1-160]
REFUSED.. -7
DON'T KNOW.. -8

E8. In the last three years, that is, since [FILL WITH CURRENT MONTH] 1999, has the number of volunteers involved in your organization: (E8)

Increased, ... 1
Decreased, or... 2
Stayed about the same? .... 3 (SKIP TO F1)
REFUSED.. -7 (SKIP TO F1)
DON'T KNOW.. -8 (SKIP TO F1)

E8a1. By what percent did the number [FILL RESPONSE FROM E8]? (E8A1) |__|__|__|% [RANGE 1-999]
REFUSED.. -7
DON'T KNOW.. -8

E8a2. What are the major reasons for the [FILL RESPONSE FROM E8]? [PROBE: Any other reasons?] (E8A20-E8A24)

________[60 SPACES, 5 LINES]____
REFUSED.. -7
DON'T KNOW.. -8
RF/DK ONLY VALID ON FIRST LINE

SECTION F

Next I would like to ask you some questions about your staff.

F1. During your most recently completed fiscal year, that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE), did your organization have any paid employees? (F1)

YES.. 1
NO... 2 (SKIP TO F9)
REFUSED... -7 (SKIP TO F9)
DON'T KNOW.. -8 (SKIP TO F9)

F2. How many of these paid employees worked full-time [IF NEEDED: during your most recently completed fiscal year, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)]? (F2)

FULL TIME EMPLOYEES |__|__|__|__|__| [RANGE 0-99999]
REFUSED... -7
DON'T KNOW.. -8

F3. How many of these paid employees worked part time or seasonally [IF NEEDED: during your most recently completed fiscal year, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)]? (F3)

PART TIME OR SEASONAL EMPLOYEES |__|__|__|__|__| [RANGE 0-99999]
REFUSED... -7
DON'T KNOW.. -8

F4. During your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], how many independent contractors did you employ that were individuals rather than organizations? (F4)

INDEPENDENT CONTRACTORS |__|__|__|__|__| [RANGE 0-99999]
REFUSED... -7
DON'T KNOW.. -8

F5. During your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], about how much did your organization spend on salaries, wages, and benefits? (F5DOLL, F5PERC)

$|__|__|__|__|__|__|__|__|__| [RANGE: 0-999,999,999] (OR % OF BUDGET |__|__|__| [RANGE 0-100])
REFUSED... -7
DON'T KNOW.. -8

F6. Of the individuals who were paid employees of your organization during your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], about what percent or number of these employees were:
(F6APERC, F6ANUM, F6BPERC, F6BNUM, F6CPERC, F6CNUM, F6DPERC, F6DNUM, F6EPERC, F6ENUM, F6OS)

		REF	DK
a. African American?	|__|__|__|% or |__|__|__|__|__|#	-7	-8
b. White?	|__|__|__|% or |__|__|__|__|__|#	-7	-8
c. Latino (Hispanic)?	|__|__|__|% or |__|__|__|__|__|#	-7	-8
d. Asian?	|__|__|__|% or |__|__|__|__|__|#	-7	-8
e. Other? (SPECIFY_[45 SPACES]___)	|__|__|__|% or |__|__|__|__|__|#	-7	-8

[RANGE ON % 0-100; ON # 0-99999]
[NOTE: PERCENTAGES MUST ADD UP TO 100.]

F7a. Of the individuals who were paid employees of your organization during your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], about what percent or number were: (F7APERC, F7ANUM, F7BPERC, F7BNUM).. REF DK

Female? ....|__|__|__|% or |__|__|__|__|__|# -7 -8

F7b. Of the individuals who were paid employees of your organization during your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], about what percent or number were: (F7APERC, F7ANUM, F7BPERC, F7BNUM).. REF DK

Holding a **college or** professional degree? ....|__|__|__|% or |__|__|__|__|__|# -7 -8

[RANGE ON % 0-100; ON # 0-99999]

F8. In the last three years, that is, since [FILL WITH CURRENT MONTH] 1999, have you experienced any significant staff turnover? (F8)

YES.. 1
NO.. 2 (SKIP TO F9)
REFUSED.. -7 (SKIP TO F9)
DON'T KNOW... -8 (SKIP TO F9)

F8a. About what percent was the staff turnover? |__|__|__|% [RANGE 0-100] (F8A)
REFUSED.. -7
DON'T KNOW... -8

F9. In the past three years [IF NEEDED: that is, since [FILL WITH CURRENT MONTH] 1999] how many different Executive Directors or CEOs has your organization had?

EXECUTIVE DIRECTORS OR CEOs |__|__| [RANGE: 1-10] (F9)
REFUSED.. -7
DON'T KNOW... -8

SECTION G

Next, I would like to ask you some questions about your board of directors.

G1. How many people usually serve on your board of directors? (G1)

NUMBER OF DIRECTORS |__|__| [RANGE: 0-99]
NONE .... 0 (SKIP TO H1)
REFUSED.. -7 (SKIP TO H1)
DON'T KNOW... -8 (SKIP TO H1)

G2. Is there a time limit on how long a person can serve on the board? (G2)

YES.. 1
NO.. 2 (SKIP TO G3)

REFUSED.......... -7 (SKIP TO G3)
DON'T KNOW.......... -8 (SKIP TO G3)

G2a. What is the time limit? (G2A)

[45 SPACES]____
REFUSED.......... -7
DON'T KNOW.......... -8

G3. Of the individuals who served on your board during your most recently completed fiscal year that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE), about how many were: (G3A, G3B, G3C, G3D, G3E, G3OS)

		REF	DK
a. African American?	|__|__|#	-7	-8
b. White?	|__|__|#	-7	-8
c. Latino (Hispanic)?	|__|__|#	-7	-8
d. Asian?	|__|__|#	-7	-8
e. Other? (SPECIFY:_ [45 SPACES]__________)..........	|__|__|#	-7	-8

[RANGES: 0-99]

G4. Of the individuals who served on your board during your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], how many were women?
|__|__|# [RANGE: 0-99] (G4)
REF -7
DK -8

G5. To what extent do board members engage in fund raising? Would you say: (G5)

Not at all?.......... 1
Some?.......... 2
A fair amount? or.......... 3
A great deal?.......... 4
REFUSED.......... -7
DON'T KNOW.......... -8

G6. How much say does your board have in deciding how to allocate your resources to various programs and services? Would you say: (G6)

Not at all?.......... 1
Some?.......... 2
A fair amount? or.......... 3
A great deal?.......... 4
REFUSED.......... -7
DON'T KNOW.......... -8

G7. How active are your board members in the day-to-day operation of your organization? Would you say: (G7)

Not at all?.......... 1
Some?.......... 2
A fair amount? or.......... 3
A great deal?.......... 4
REFUSED.......... -7
DON'T KNOW.......... -8

G8. How much does your board of directors contribute to the success of your organization? Would you say: (G8)

Not at all?	1
Some?	2
A fair amount? or	3
A great deal?	4
REFUSED	-7
DON'T KNOW	-8

SECTION H

Next, I would like to ask you some questions about the internal operations of your organization.

H1. Does your organization have: (H1A, H1B, H1C, H1D, H1E)

	YES	NO	RF	DK
a. Formal job descriptions for each paid staff position?	1	2	-7	-8
b. Formal performance evaluations of paid staff?	1	2	-7	-8
c. Statistical records on your programs and services?	1	2	-7	-8
d. Information on the cost of programs and services provided?	1	2	-7	-8
e. Information on the impact of your programs and services?	1	2	-7	-8

H2. In the past three years, that is, since [FILL WITH CURRENT MONTH] 1999, have any of your programs or services been formally evaluated? (H2)

YES	1	
NO	2	(SKIP TO H3)
REFUSED	-7	(SKIP TO H3)
DON'T KNOW	-8	(SKIP TO H3)

H2a. How useful was the evaluation in improving the effectiveness or efficiency of the programs or services? Would you say: (H2A)

Not at all useful	1
Somewhat useful	2
Fairly useful, or	3
Very useful?	4
REFUSED	-7
DON'T KNOW	-8

H3. In the past three years [IF NEEDED: that is, since [FILL WITH CURRENT MONTH] 1999], has your organization: (H3A, H3B, H3C, H3D, H3E, H3F, H3G, H3H, H3I, H3J)

	YES	NO	NA	RF	DK
a. Undertaken a market analysis?	1	2	3	-7	-8
b. Developed a strategic plan?	1	2	3	-7	-8
c. Implemented a program evaluation system?	1	2	3	-7	-8
d. Reorganized your administrative or management structure?	1	2	3	-7	-8

e. Implemented a new fiscal or cost control system? ....1 2 3 -7 -8
f. Contracted out some of your internal operations? ....1 2 3 -7 -8
g. Set up a joint venture with another organization (a joint program
or joint revenue generating activity)? .... 1 2 3 -7 ....-8
h. Merged with another organization? .... 1 2 3 -7 ....-8
i. Set up a profit-making venture? .... 1 2 3 -7 ....-8
j. Obtained long term contracts for your services from public sources? .... 1 2 3 -7 ....-8

H4. In the past three years [IF NEEDED: that is, since [FILL WITH CURRENT MONTH] 1999], has your organization initiated any new programs or services? (H4)

YES 1
NO.. 2 (SKIP TO H5)
REFUSED... -7 (SKIP TO H5)
DON'T KNOW .... -8 (SKIP TO H5)

H4a. How much of a change do these new programs or services represent in the overall mix of programs and services your organization provides? Would you say: (H4A)

None 1
Some 2
A fair amount, or 3
A great deal? 4
REFUSED... -7
DON'T KNOW .... -8

H5. In the past three years [IF NEEDED: that is, since [FILL WITH CURRENT MONTH] 1999], has your organization made serious cutbacks to any specific programs or services? (H5)

YES 1
NO.. 2 (SKIP TO H6)
REFUSED... -7 (SKIP TO H6)
DON'T KNOW .... -8 (SKIP TO H6)

H5a. What kind of impact did these cuts have on the ability of your organization to achieve its mission? Would you say: (H5A)

Very negative, ... 1
Somewhat negative, ... 2
Neither negative nor positive, ... 3
Somewhat positive, or 4
Very positive? 3

REFUSED	-7
DON'T KNOW	-8

H6. In the past three years [IF NEEDED: that is, since [FILL WITH CURRENT MONTH] 1999], has it been harder or easier to [FILL FROM BELOW]? (H6A, H6B, H6C, H6D)

	HARDER	EASIER	ABOUT THE SAME	RF	DK
a. Obtain funding	1	2	3	-7	-8
b. Recruit or keep staff	1	2	3	-7	-8
c. Recruit or keep volunteers	1	2	3	-7	-8
d. Meet the service needs of those you try to serve	1	2	3	-7	-8

H7. In the past three years [IF NEEDED: that is, since [FILL WITH CURRENT MONTH] 1999], have any government policies—federal, state, or local—made it easier or harder to achieve your mission? (H7)

HARDER	1	
EASIER	2	
NO CHANGE	3	(SKIP TO I1)
REFUSED	-7	(SKIP TO I1)
DON'T KNOW	-8	(SKIP TO I1)

H7a. Can you briefly describe which policy or policies in particular impacted your organization? (H7A[0-H7A4)

[60 SPACES, 5 LINES]___________________________

____

____

REFUSED	-7
DON'T KNOW	-8

RF/DK ONLY VALID ON FIRST LINE

SECTION I

Next, I would like to ask you some questions about how your organization interacts with other organizations.

I1. During your most recently completed fiscal year, that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE), how often were you actively involved in a collaborative effort with other organizations to [FILL FROM BELOW]? Would you say never, occasionally, often, or very often? (I1A, I1B, I1C, I1D)

	NEVER	OCCASIONALLY	OFTEN	VERY OFTEN	RF DK
a. Obtain funding for your programs	1	2	3	4	-7 -8
b. Develop programs or services	1	2	3	4	-7 -8
c. Coordinate services for your clients	1	2	3	4	-7 -8
d. Advocate on behalf of your clients	1	2	3	4	-7 -8

I2. During your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], how much competition from non-profit organizations with similar programs and services did you experience in [FILL FROM BELOW]? Would you say none, some, a fair amount, or a great deal? (I2A, I2B, I2C)

FAIR GREAT

	NONE	SOME	AMOUNT	DEAL	RF	DK
a. Getting financial resources	1	2	3	4	-7	-8
b. Attracting clients or consumers	1	2	3	4	-7	-8
c. Recruiting staff and volunteers	1	2	3	4	-7	-8

I3. During your most recently completed fiscal year [IF NEEDED: that is, between (FILL WITH B3b BEGINNING DATE) AND (FILL WITH B3b END DATE)], how much competition from for-profit organizations with similar programs and services did you experience in [FILL FROM BELOW]? Would you say none, some, a fair amount, or a great deal? (I3A, I3B, I3C)

	NONE	SOME	FAIR AMOUNT	GREAT DEAL	RF	DK
a. Getting financial resources	1	2	3	4	-7	-8
b. Attracting clients or consumers	1	2	3	4	-7	-8
c. Recruiting staff and volunteers	1	2	3	4	-7	-8

SECTION J

Next, I would like to ask you some questions about how your organization uses information technology.

J1. Does your organization currently use: (J1A, J1B, J1C, J1D, J1E, J1F)

	YES	NO	RF	DK
a. Email?	1	2	-7	-8
b. Computers for key staff or volunteers?	1	2	-7	-8
c. An internal computer network or intranet?	1	2	-7	-8
d. Cellular phones **or** pagers?	1	2	-7	-8
e. Electronic financial records?	1	2	-7	-8
f. Electronic records of the users of your programs or services?..	1	2	-7	-8

J2. Does your organization have its own website? (J2)

YES 1
NO... 2 (SKIP TO K1)
REFUSED.. -7 (SKIP TO K1)
DON'T KNOW .... -8 (SKIP TO K1)

J2a. What is the address of your website [IF NEEDED: its URL]? (J2A)

__[45 SPACES]____
REFUSED.. -7
DON'T KNOW .... -8

J2b. How often do people visit your website? Would you say: (J2B)

Not very often 1
Sometimes.. 2
Often, or 3
Very often?... 4
REFUSED.. -7
DON'T KNOW .... -8

J2c. How useful is the website to your organization? Would you say: (J2C)

Not at all useful 1
Somewhat useful 2
Fairly useful, or 3
Very useful? 4
REFUSED .... -7
DON'T KNOW .... -8

SECTION K

K1. Finally, what would you say are the three greatest challenges facing your organization in the next three years? (K1A, K1B, K1C)

K1a__[60 SPACES]____
REFUSED .... -7
DON'T KNOW .... -8

K1b__[60 SPACES]____
K1c__[60 SPACES]____

SECTION L

Before we finish, I would like to ask just a few questions about yourself.

L1. What is your current job title? (L1)

___[45 SPACES]____
REFUSED .... -7
DON'T KNOW .... -8

L2. How old are you? (L2)

|__|__| YEARS OLD [RANGE: 18-99]
REFUSED .... -7
DON'T KNOW .... -8

L3. [IF NEEDED: What is your gender?] (L3)

MALE 1
FEMALE 2
REFUSED .... -7
DON'T KNOW .... -8

L4. Are you Spanish, Hispanic, or Latino? (L4)

YES 1
NO 2
REFUSED .... -7
DON'T KNOW .... -8

L5. Please tell me which one, or more, of the following you consider yourself to be. Do you consider yourself to be… (L5ARRY0-L5ARRY5), L5A, L5B, L5C, L5D, L5E, L5F, L5OS)

White .... [ ]

Black or African American .... [ ]
Asian .... [ ]
American Indian or Alaskan Native .... [ ]
Native Hawaiian or other Pacific Islander, or .... [ ]
Some other race? (SPECIFY:__[45 SPACES]____).. [ ]
REFUSED.. -7
DON'T KNOW.. -8

Allow multiple responses for this item

L6. What is the highest degree you have obtained? (L6)

LESS THAN HIGH SCHOOL DIPLOMA.. 1
HIGH SCHOOL DIPLOMA.. 2
SOME COLLEGE 3
ASSOCIATE DEGREE 4
BACHELORS DEGREE 5
MASTERS OR PROFESSIONAL DEGREE 6
Ph.D. 7
REFUSED.. -7
DON'T KNOW.. -8

L7. How many years have you worked in the nonprofit field? (L7)

|__|__| YEARS [RANGE 0-99]
REFUSED.. -7
DON'T KNOW.. -8

L8. How long have you held your current job? (L8)

|__|__| YEARS [RANGE 0-99]
REFUSED.. -7
DON'T KNOW.. -8
[IF LESS THAN 1 YEAR, ENTER O]

L9. What was your previous job? (L9)

___[45 SPACES]_______________________________________
REFUSED.. -7
DON'T KNOW.. -8

SECTION M

INTRO_M. Lastly, for data management purposes only, I'd like to verify the name and address of your organization. As always, all of the information you provide on the survey will remain completely confidential and the name of your organization will never be identified for any reason. [PRESS ENTER TO CONTINUE]

M1. What is the official name of your organization? (M1NAME, M1NAME2)

_[45 SPACES]____
REFUSED.. -7
DON'T KNOW.. -8

M2. What is your organization's address?

STREET [45 spaces] (M2STRT)
REF -7 (skip to M3)
DK -8 (skip to M3)

CITY [20 spaces] (M2CITY)
REF -7 (skip to M3)
DK -8 (skip to M3)

STATE [2 spaces] (M2STAT)
REF -7 (skip to M3)
DK -8 (skip to M3)

ZIP [5 spaces] (M2ZIP)
REF -7 (skip to M3)
DK -8 (skip to M3)

M3. And could you confirm for me the phone number? I have [FILL FROM CONTACT INFORMATION], is that correct? (M3)

YES .... 1 (SKIP TO M4)
NO 2
REFUSED .... -7
DON'T KNOW .... -8

M3a. What is the correct phone number? (M3AREA, M3EXCH, M3LOCL)

_[3 FIELDS, REGULAR TELEPHONE NUMBER FORMAT]__________________
REFUSED .... -7
DON'T KNOW .... -8

M4. Do you have an IRS Employer Identification Number? (M4)

YES 1
NO .... 2 (SKIP TO M5)
REFUSED .... -7 (SKIP TO M5)
DON'T KNOW .... -8 (SKIP TO M5)

M4a. What is the number? (M4A)

_[12 SPACES; FREEFORM]____
REFUSED .... -7
DON'T KNOW .... -8

M5. Would you like to receive a copy of our report? (M5)

YES 1
NO 2
REFUSED .... -7
DON'T KNOW .... -8

M6. Would you be willing to talk to us in the future regarding your organization? (M6)

YES 1
NO 2
REFUSED .... -7
DON'T KNOW .... -8

M7. Is there anything else you would like to comment on before we finish the interview? (M70-M74)

__[60 SPACES, 5 LINES]____
RF/DK ONLY VALID ON FIRST LINE

Thank you for taking the time to talk with me. We really appreciate your contribution. Goodbye.

Appendix B

Sample Datasets

IRS Data
Business Master File January 2001
This is a cumulative file from the National Center for Charitable Statistics (NCCS) containing all active nonprofit organizations that have obtained recognition of tax-exempt status from the IRS.

Core File for tax year 2000
The Core Files, produced annually by NCCS, combine descriptive information from the Business Master Files and financial variables from the Return Transaction File. All 501(c)(3)'s with over $25,000 a year in gross receipts are required to file a version of the Form 990 and are included in the Core File.

State of California Data
Secretary of State database
The Secretary of State maintains cumulative records of all nonprofit organizations incorporated in the state of California.

Registry of Charitable Trusts database
The California State Attorney General’s Registry of Charitable Trusts maintains records of all California-based nonprofits and nonprofits otherwise doing business in California. Charities are required to file annual Form 990s with the Trust, and the Trust’s website allows users to search a database of 990s for California nonprofits.

California Office of Statewide Health Planning and Development
The California Office of Statewide Health Planning and Development (OSHPD) is one of the 13 departments under the California Health and Human Services Agency. OSHPD, in addition to providing development and administrative services to health organizations and facilities (e.g., hospitals), collects and makes available data on a variety of health organizations (e.g., clinics) statewide.

Local Agencies
INFO LINE LA
INFO LINE of Los Angeles, now known as 211 LA County, is a nonprofit information and referral service provided free-of-charge, 24 hours a day, seven days a week, to LA County residents. Callers can receive information about all public services, including service providers.

Rainbow Resource Directory
The Rainbow Resource Directory was first published in Los Angeles in 1988, and is a printed guide to services in the Los Angeles region. It includes many small neighborhood groups, as well as well-established agencies.

Appendix C

NTEE-CC Codes and Descriptions – Human Service Organizations

P Human Services
P01 Alliances & Advocacy
P02 Management & Technical Assistance
P03 Professional Societies & Associations
P05 Research Institutes & Public Policy Analysis
P11 Single Organization Support
P12 Fund Raising & Fund Distribution
P19 Support N.E.C.
P20 Human Services
P21 American Red Cross
P22 Urban League
P24 Salvation Army
P26 Volunteers of America
P27 Young Men's or Women's Associations
P28 Neighborhood Centers
P29 Thrift Shops
P30 Children & Youth Services
P31 Adoption
P32 Foster Care
P33 Child Day Care
P40 Family Services
P42 Single Parent Agencies
P43 Family Violence Shelters
P44 In-Home Assistance
P45 Family Services for Adolescent Parents
P46 Family Counseling
P47 Pregnancy Centers (New 5/2005)
P50 Personal Social Services
P51 Financial Counseling
P52 Transportation Assistance
P58 Gift Distribution
P60 Emergency Assistance
P61 Travelers' Aid
P62 Victims' Services
P70 Residential Care & Adult Day Programs (Renamed from "Residential Care" 5/2005)
P71 Adult Day Care (Reinstated 5/2005)
P73 Group Homes
P74 Hospices
P75 Supportive Housing for Older People (Renamed from "Senior Continuing Care Communities" 5/2005)
P80 Centers to Support the Independence of Specific Populations

P81 Senior Centers
P82 Developmentally Disabled Centers
P83 Women's Centers (Reinstated 5/2005)
P84 Ethnic & Immigrant Centers
P85 Homeless Centers
P86 Blind & Visually Impaired Centers
P87 Deaf & Hearing Impaired Centers
P88 LGBT Centers (New 5/2005)
P99 Human Services N.E.C.

Appendix D

Methodology Discussion

This appendix further details the nature of my dependent variables and justifies my choice to dichotomize certain outcomes. The subsequent pages contain the following Stata outputs for each dependent variable in my study, with the exception of those that were already in binary form (e.g., non-English services, minority executive, volunteer reliance, and advocacy engagement):

1. Histogram (continuous form)
2. OLS regression output (without multiple imputation)[28]
3. Postestimation kernel density plot (residuals)
4. Shapiro-Wilk W test results (residuals)
5. OLS regression output (with multiple imputation)[29]

The graphs, model results, and postestimation outputs below confirm that non-normal distributions of both the observed values and the residuals create cause for concern. The histograms and residual plots consistently reflect non-normality, and the results of the Shapiro-Wilk W test are all very small (p-value < .01), indicating that we can reject the hypothesis that the residuals are normally distributed.

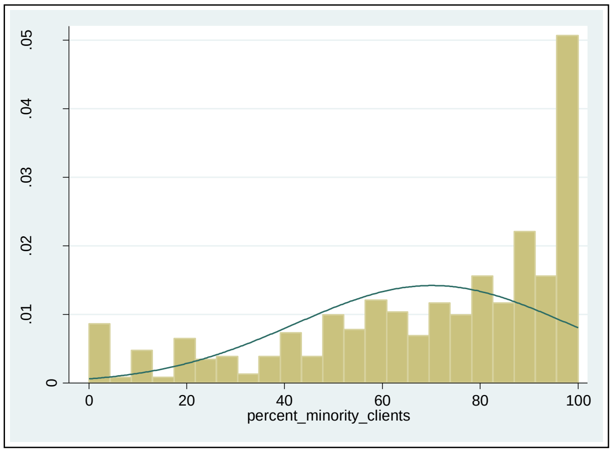
The regression results also reflect that levels of statistical significance, especially when examining the impact of fee income, do not differ substantially from the logistic regression results in my study. For the accountability and management technology variables, both ordinal scales with small ranges, I have also included ordered logistic regression (ologit) outputs. While these ologit models offer a more careful treatment of the effects, because the outcomes do not differ in comparison with the logistic regression results employed in the study, I chose to maintain a consistent application of the outcome dichotomization.

With respect to the distribution patterns of the dependent variables, particularly the demographic proportion variables, I also considered the use of various Poisson regression models (e.g., zero-truncated, zero-inflated, hurdle models) in order to account for distribution spikes at 0, .5, and/or 1. However, because the dependent variables are not count data, ultimately I did not feel these methods were appropriate.

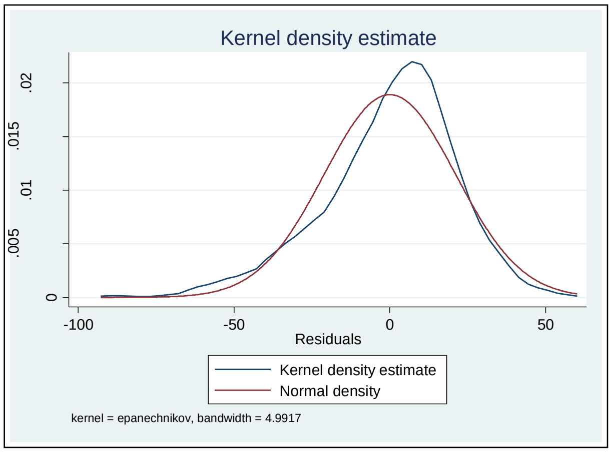
[28] I tested OLS regression models without imputation in order to generate residuals for normality testing.
[29] With the exception of the Accountability Tactics Scale and the Management Technology Scale, only OLS regression outputs are included. Ordered logistic regression outputs are also included for these scale variables.

Percentage Non-white Clients

Histogram (Percentage Non-white Clients)



Kernel Density Plot (Residuals)



Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	138835.136	12	11569.5947
Residual	168551.537	406	415.151569
Total	307386.673	418	735.374816

Number of obs =	419
F(12, 406) =	27.87
Prob > F =	0.0000
R-squared =	0.4517
Adj R-squared =	0.4355
Root MSE =	20.375

percent_minori~s	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	-.1493077	.0408588	-3.65	0.000	-.229629	-.0689864
percent_govt1	.0864591	.0330467	2.62	0.009	.021495	.1514232
log_total_reve~e	.8630485	.5511882	1.57	0.118	-.2204906	1.946588
log_age	-6.529182	1.319613	-4.95	0.000	-9.123308	-3.935055
perc_pov_min	.4684858	.0421074	11.13	0.000	.3857101	.5512616
child_care	12.00352	5.469518	2.19	0.029	1.251413	22.75563
crime_legal	9.927266	4.601123	2.16	0.032	.8822677	18.97227
indiv_assist	8.335956	2.893952	2.88	0.004	2.646955	14.02496
basic_needs	4.10658	3.531079	1.16	0.246	-2.834901	11.04806
youth_devel	19.85493	3.731666	5.32	0.000	12.51913	27.19073
special_needs	-12.49839	3.146718	-3.97	0.000	-18.68429	-6.312499
advocacy_activ~y	8.729116	6.268062	1.39	0.164	-3.592791	21.05102
_cons	40.74154	7.567007	5.38	0.000	25.86614	55.61695

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	428	0.97457	7.439	4.790	0.00000

Percentage Non-white Clients (continued)

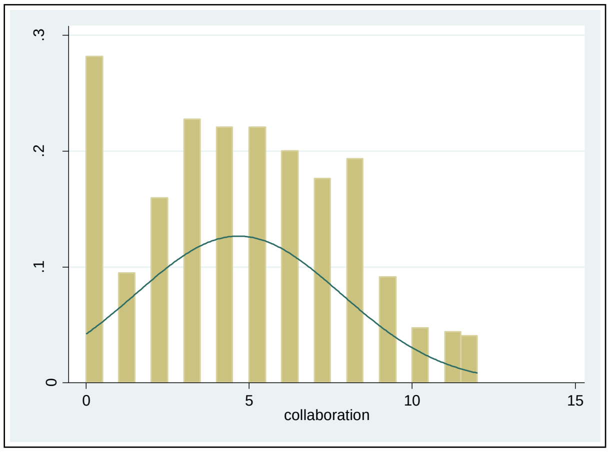
Stata Output (Ordinary Least Squares Regression with multiple imputation)

```
Multiple-imputation estimates                    Imputations       =         10
Survey: Linear regression                        Number of obs     =        522

Number of strata  =        16                    Population size   =  1692.548
Number of PSUs    =       522
                                                 Average RVI       =     0.1188
                                                 Largest FMI       =     0.3665
                                                 Complete DF       =        506
DF adjustment:   Small sample                    DF:     min       =      60.47
                                                         avg       =     343.10
                                                         max       =     492.91
Model F test:       Equal FMI                    F(  12,  476.2)   =      25.29
Within VCE type:   Linearized                    Prob > F          =     0.0000
```

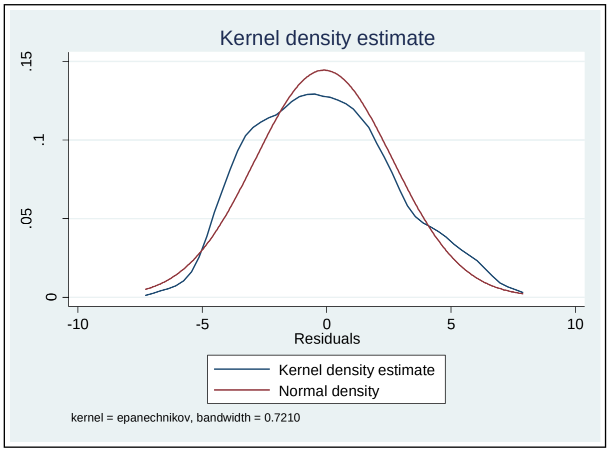
percent_minori~s	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	-.1444835	.0540352	-2.67	0.009	-.2517464	-.0372206
percent_govt1	.0658948	.03713	1.77	0.081	-.0083644	.140154
log_total_reve~e	.4279511	.5587914	0.77	0.446	-.686485	1.542387
log_age	-4.593377	1.456207	-3.15	0.002	-7.454869	-1.731885
perc_pov_min	.4872116	.0482883	10.09	0.000	.3922612	.5821621
child_care	11.6504	5.238053	2.22	0.027	1.358656	21.94215
crime_legal	10.32902	3.107403	3.32	0.001	4.221035	16.43701
indiv_assist	8.501886	2.732697	3.11	0.002	3.132452	13.87132
basic_needs	5.02515	3.732917	1.35	0.179	-2.310019	12.36032
youth_devel	15.73652	3.778862	4.16	0.000	8.307118	23.16592
special_needs	-11.21831	3.437368	-3.26	0.001	-17.97201	-4.464608
advocacy_activ~y	6.88565	5.300204	1.30	0.195	-3.53076	17.30206
_cons	39.08463	8.318277	4.70	0.000	22.67746	55.4918

Collaboration Scale

Histogram (Collaboration Scale)



Kernel Density Plot (Residuals)



Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	977.905854	11	88.9005321
Residual	3553.09207	469	7.57588927
Total	4530.99792	480	9.439579

Number of obs	=	481
F(11, 469)	=	11.73
Prob > F	=	0.0000
R-squared	=	0.2158
Adj R-squared	=	0.1974
Root MSE	=	2.7524

collaboration	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0018013	.0050734	0.36	0.723	-.008168	.0117707
percent_govt1	.0239486	.0040138	5.97	0.000	.0160613	.0318359
log_total_reve~e	.2432676	.0635581	3.83	0.000	.1183738	.3681614
log_age	-.0189165	.1619028	-0.12	0.907	-.3370612	.2992282
child_care	1.054746	.7552489	1.40	0.163	-.429345	2.538836
crime_legal	1.596771	.581793	2.74	0.006	.4535279	2.740015
indiv_assist	1.094421	.3712882	2.95	0.003	.3648269	1.824016
basic_needs	.0073189	.4401375	0.02	0.987	-.8575667	.8722045
youth_devel	.4988955	.4568942	1.09	0.275	-.3989177	1.396709
special_needs	-.0689238	.3974073	-0.17	0.862	-.8498431	.7119954
advocacy_activ~y	2.134323	.6283938	3.40	0.001	.8995072	3.369139
_cons	.4743035	.7760961	0.61	0.541	-1.050752	1.999359

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	487	0.98377	5.332	4.019	0.00003

Collaboration Scale (continued)

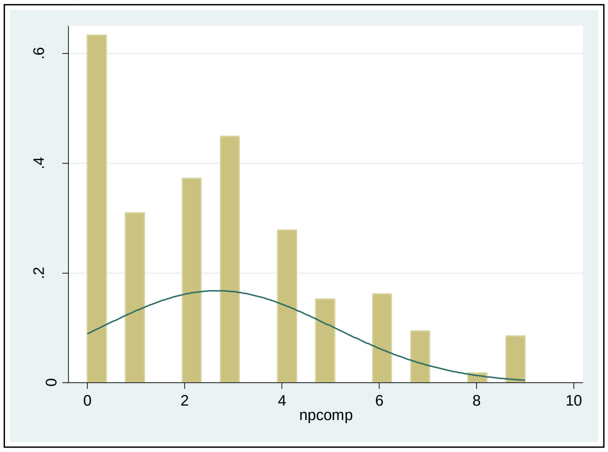
Stata Output (Ordinary Least Squares Regression with multiple imputation)

```
Multiple-imputation estimates                   Imputations       =         10
Survey: Linear regression                       Number of obs     =        589

Number of strata  =        16                   Population size   =  1909.443
Number of PSUs    =       589
                                                Average RVI       =    0.1226
                                                Largest FMI       =    0.3541
                                                Complete DF       =       573
DF adjustment:   Small sample                   DF:     min       =     65.54
                                                        avg       =    373.37
                                                        max       =    559.19
Model F test:       Equal FMI                   F(  11,  525.0)   =     10.60
Within VCE type:   Linearized                   Prob > F          =    0.0000
```

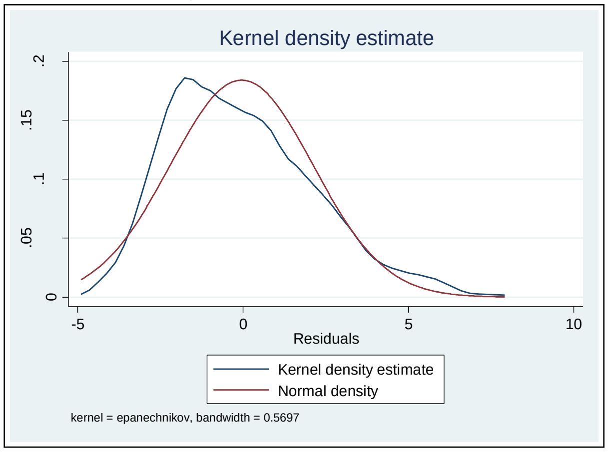
collaboration	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0018842	.0063029	0.30	0.766	-.0107015	.0144699
percent_govt1	.0174522	.0043423	4.02	0.000	.0089125	.0259919
log_total_reve~e	.207307	.0584149	3.55	0.001	.0911556	.3234584
log_age	.0187345	.1635422	0.11	0.909	-.3031966	.3406655
child_care	-.0069171	.7935024	-0.01	0.993	-1.565527	1.551692
crime_legal	.9903671	.5309716	1.87	0.063	-.052963	2.033697
indiv_assist	1.082578	.3642873	2.97	0.003	.366452	1.798705
basic_needs	.0805813	.422669	0.19	0.849	-.7496958	.9108584
youth_devel	.3885674	.5192528	0.75	0.455	-.6314412	1.408576
special_needs	.1456287	.3753681	0.39	0.698	-.5923062	.8835635
advocacy_activ~y	1.675348	.6053554	2.77	0.006	.4861267	2.86457
_cons	.9798817	.6371859	1.54	0.125	-.2751187	2.234882

Nonprofit Competition Scale

Histogram (Nonprofit Competition Scale)



Kernel Density Plot (Residuals)



Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	408.944789	11	37.176799
Residual	2134.85306	453	4.71269991
Total	2543.79785	464	5.48232295

Number of obs =	465
F(11, 453) =	7.89
Prob > F =	0.0000
R-squared =	0.1608
Adj R-squared =	0.1404
Root MSE =	2.1709

npcomp	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0044097	.0042418	1.04	0.299	-.0039264	.0127458
percent_govt1	.0144125	.0032106	4.49	0.000	.0081029	.0207221
log_total_reve~e	.1331279	.0510126	2.61	0.009	.0328772	.2333786
log_age	.3045598	.1298628	2.35	0.019	.0493515	.5597681
child_care	-.6354176	.5971669	-1.06	0.288	-1.808979	.5381435
crime_legal	.3324944	.4838274	0.69	0.492	-.6183302	1.283319
indiv_assist	.133925	.2975967	0.45	0.653	-.4509163	.7187663
basic_needs	-.7854093	.3543389	-2.22	0.027	-1.481761	-.0890574
youth_devel	.1352563	.3671397	0.37	0.713	-.5862521	.8567647
special_needs	.2392263	.3184851	0.75	0.453	-.3866652	.8651179
advocacy_activ~y	.0611826	.4875296	0.13	0.900	-.8969178	1.019283
_cons	-.4781849	.622527	-0.77	0.443	-1.701584	.7452142

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	471	0.96604	10.827	5.711	0.00000

Nonprofit Competition Scale (continued)

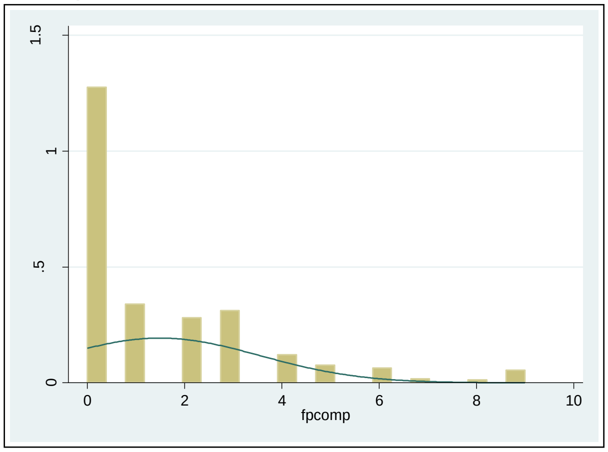
Stata Output (Ordinary Least Squares Regression with multiple imputation)

```
Multiple-imputation estimates                   Imputations       =         10
Survey: Linear regression                       Number of obs     =        569

Number of strata  =        16                   Population size   =  1845.189
Number of PSUs    =       569
                                                Average RVI       =     0.0764
                                                Largest FMI       =     0.3182
                                                Complete DF       =        553
DF adjustment:   Small sample                   DF:     min       =      77.91
                                                        avg       =     422.50
                                                        max       =     546.98
Model F test:       Equal FMI                   F(  11,  531.7)   =       5.25
Within VCE type:   Linearized                   Prob > F          =     0.0000
```

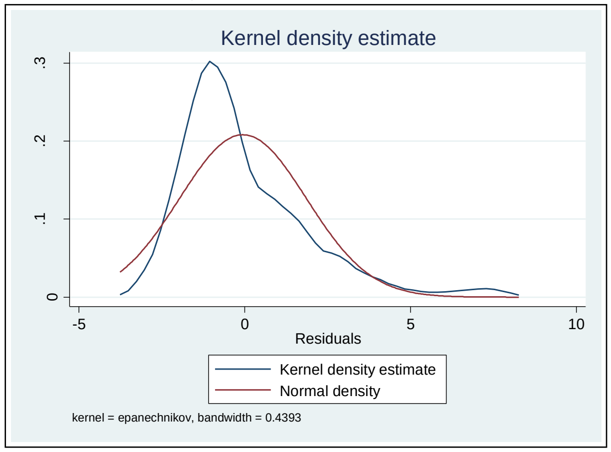
npcomp	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0039075	.0048476	0.81	0.423	-.0057434	.0135585
percent_govt1	.0112728	.003246	3.47	0.001	.0048879	.0176576
log_total_reve~e	.0755549	.0472337	1.60	0.112	-.0178164	.1689261
log_age	.2488412	.127336	1.95	0.051	-.0013243	.4990066
child_care	-.6405327	.5081818	-1.26	0.208	-1.63882	.3577545
crime_legal	.22269	.50555	0.44	0.660	-.7704236	1.215804
indiv_assist	-.2006288	.2872411	-0.70	0.485	-.7650287	.3637712
basic_needs	-.8550478	.2967787	-2.88	0.004	-1.438044	-.2720519
youth_devel	-.0322132	.3818782	-0.08	0.933	-.7823406	.7179141
special_needs	-.0493675	.3337062	-0.15	0.882	-.7049462	.6062112
advocacy_activ~y	-.3439463	.4168209	-0.83	0.410	-1.16273	.4748378
_cons	.7206725	.5905518	1.22	0.223	-.4413207	1.882666

For-Profit Competition Scale

Histogram (For-Profit Competition Scale)



Kernel Density Plot (Residuals)



Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	311.343623	11	28.3039658
Residual	1700.90962	450	3.77979916
Total	2012.25325	461	4.3649745

Number of obs =	462
F(11, 450) =	7.49
Prob > F =	0.0000
R-squared =	0.1547
Adj R-squared =	0.1341
Root MSE =	1.9442

fpcomp	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0150333	.0037017	4.06	0.000	.0077586	.022308
percent_govt1	.0070704	.00287	2.46	0.014	.0014301	.0127108
log_total_reve~e	.1046445	.0457394	2.29	0.023	.0147551	.194534
log_age	.2283162	.1176455	1.94	0.053	-.0028867	.4595191
child_care	-.5301484	.5693099	-0.93	0.352	-1.648985	.5886877
crime_legal	.2114716	.4339411	0.49	0.626	-.6413311	1.064274
indiv_assist	.2408447	.2665619	0.90	0.367	-.2830161	.7647054
basic_needs	-.3965004	.3225041	-1.23	0.220	-1.030302	.2373007
youth_devel	-.48952	.331083	-1.48	0.140	-1.140181	.1611408
special_needs	1.022727	.2822784	3.62	0.000	.4679795	1.577475
advocacy_activ~y	-.1788928	.4373203	-0.41	0.683	-1.038336	.6805508
_cons	-1.118334	.5603522	-2.00	0.047	-2.219566	-.017102

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	468	0.88923	35.108	8.528	0.00000

For-Profit Competition Scale (continued)

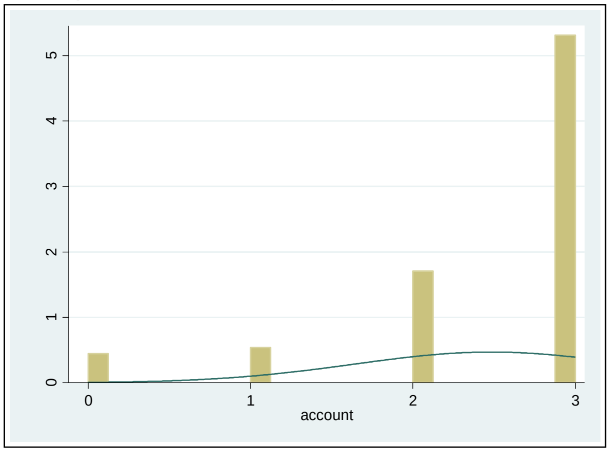
Stata Output (Ordinary Least Squares Regression with multiple imputation)

```
Multiple-imputation estimates                   Imputations       =         10
Survey: Linear regression                       Number of obs     =        565

Number of strata  =        16                   Population size   =    1821.49
Number of PSUs    =       565
                                                Average RVI       =     0.0699
                                                Largest FMI       =     0.2398
                                                Complete DF       =        549
DF adjustment:   Small sample                   DF:     min       =     121.07
                                                        avg       =     415.20
                                                        max       =     540.95
Model F test:       Equal FMI                   F(  11,  531.3)   =       6.04
Within VCE type:   Linearized                   Prob > F          =     0.0000
```

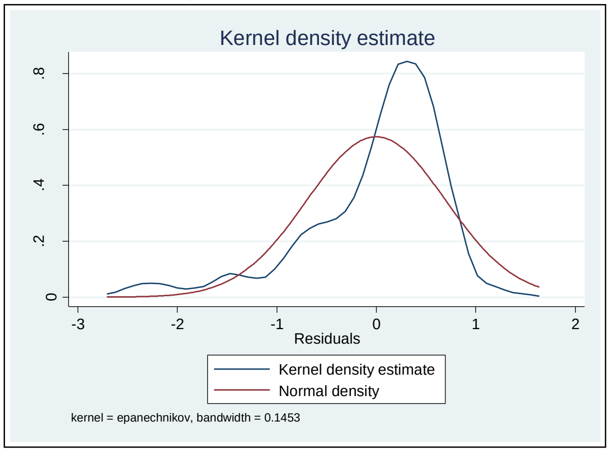
fpcomp	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0133585	.0044666	2.99	0.003	.0045268	.0221903
percent_govt1	.0059874	.00298	2.01	0.047	.0000877	.0118871
log_total_reve~e	.0451988	.0416473	1.09	0.280	-.0371803	.1275779
log_age	.1589655	.1178024	1.35	0.178	-.0725225	.3904536
child_care	-.164866	.6301941	-0.26	0.794	-1.402793	1.073061
crime_legal	-.1267612	.3587432	-0.35	0.724	-.8315217	.5779994
indiv_assist	-.0335871	.247414	-0.14	0.892	-.5196186	.4524445
basic_needs	-.6709223	.2608232	-2.57	0.010	-1.183282	-.1585623
youth_devel	-.5285234	.3007375	-1.76	0.079	-1.119299	.0622522
special_needs	.7876327	.321371	2.45	0.015	.156329	1.418936
advocacy_activ~y	-.4595362	.3131648	-1.47	0.143	-1.074717	.1556441
_cons	.1134015	.5130812	0.22	0.825	-.895353	1.122156

Accountability Tactics Scale

Histogram (Accountability Tactics Scale)



Kernel Density Plot (Residuals)



Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	42.3142479	11	3.84674981
Residual	225.517667	458	.492396653
Total	267.831915	469	.571070181

Number of obs	=	470
F(11, 458)	=	7.81
Prob > F	=	0.0000
R-squared	=	0.1580
Adj R-squared	=	0.1378
Root MSE	=	.70171

account	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0001088	.0013275	0.08	0.935	-.0024999	.0027175
percent_govt1	.0012714	.001041	1.22	0.223	-.0007743	.0033171
log_total_reve~e	.0861381	.0163389	5.27	0.000	.0540295	.1182467
log_age	.09929	.0414865	2.39	0.017	.0177625	.1808176
child_care	.1568041	.1926289	0.81	0.416	-.221742	.5353501
crime_legal	.3620049	.1534981	2.36	0.019	.0603571	.6636528
indiv_assist	.1863291	.0963924	1.93	0.054	-.0030971	.3757553
basic_needs	.0913437	.1130854	0.81	0.420	-.1308868	.3135742
youth_devel	.1420106	.1174639	1.21	0.227	-.0888245	.3728456
special_needs	.0671599	.1024819	0.66	0.513	-.1342331	.268553
advocacy_activ~y	-.1637321	.1603929	-1.02	0.308	-.4789295	.1514652
_cons	.9957862	.2000099	4.98	0.000	.6027354	1.388837

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	476	0.88490	37.040	8.663	0.00000

Accountability Tactics Scale (continued)

Stata Output (Ordinary Least Squares Regression with multiple imputation)

```
Multiple-imputation estimates                    Imputations        =         10
Survey: Linear regression                        Number of obs      =        577

Number of strata  =        16                    Population size    =  1868.551
Number of PSUs    =       577
                                                 Average RVI        =     0.1330
                                                 Largest FMI        =     0.4231
                                                 Complete DF        =        561
DF adjustment:   Small sample                    DF:     min        =      47.83
                                                         avg        =     367.34
                                                         max        =     550.19
Model F test:       Equal FMI                    F(  11,  509.6)    =       4.75
Within VCE type:   Linearized                    Prob > F           =     0.0000
```

account	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0007286	.0017967	0.41	0.687	-.0028843	.0043415
percent_govt1	.0016834	.0011721	1.44	0.153	-.0006308	.0039977
log_total_reve~e	.0515512	.0191265	2.70	0.009	.0133683	.0897341
log_age	.1280959	.0500377	2.56	0.011	.0294073	.2267845
child_care	.261676	.1381201	1.89	0.059	-.0096532	.5330051
crime_legal	.0861161	.1718482	0.50	0.617	-.2514909	.423723
indiv_assist	.1599277	.1035622	1.54	0.123	-.0435604	.3634157
basic_needs	.0611104	.1286877	0.47	0.635	-.1916689	.3138896
youth_devel	.1687976	.1265836	1.33	0.183	-.0798522	.4174474
special_needs	.1259955	.10108	1.25	0.213	-.0725787	.3245697
advocacy_activ~y	-.2950107	.2084014	-1.42	0.157	-.7043798	.1143584
_cons	1.302234	.2215922	5.88	0.000	.865735	1.738733

Accountability Tactics Scale (continued)

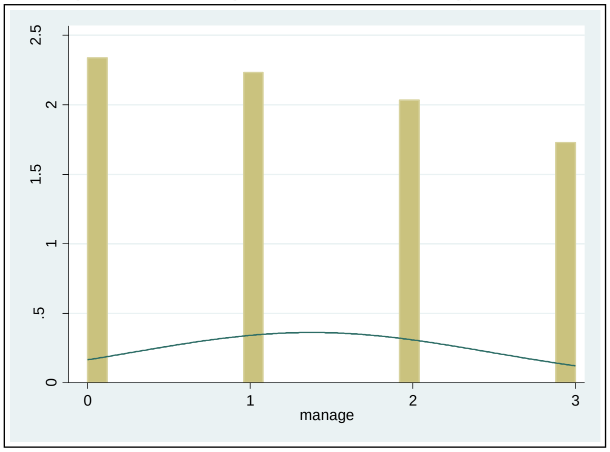
Stata Output (Ordered Logistic Regression with multiple imputation)

```
Multiple-imputation estimates                   Imputations       =         10
Survey: Ordered logistic regression             Number of obs     =        567

Number of strata  =        16                   Population size   =  1833.985
Number of PSUs    =       567
                                                Average RVI       =     0.0932
                                                Largest FMI       =     0.3980
                                                Complete DF       =        551
DF adjustment:   Small sample                   DF:     min       =      53.16
                                                        avg       =     369.89
                                                        max       =     543.44
Model F test:       Equal FMI                   F(  11,  514.1)   =       5.16
Within VCE type:   Linearized                   Prob > F          =     0.0000
```

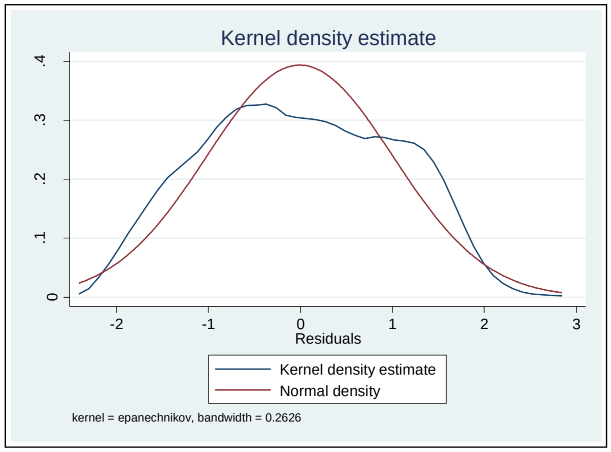
account	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.000571	.0046896	0.12	0.904	-.0088345	.0099765
percent_govt1	.0050781	.0032592	1.56	0.120	-.0013354	.0114916
log_total_reve~e	.1261587	.0457297	2.76	0.007	.0353905	.216927
log_age	.3601505	.1290167	2.79	0.006	.1063208	.6139803
child_care	2.167987	1.112564	1.95	0.052	-.0174668	4.35344
crime_legal	.6726223	.4812497	1.40	0.163	-.2728179	1.618062
indiv_assist	.3146563	.301164	1.04	0.297	-.2770775	.9063902
basic_needs	.0526547	.3000905	0.18	0.861	-.5368342	.6421437
youth_devel	.3651797	.3794146	0.96	0.336	-.3801317	1.110491
special_needs	.1499567	.2946386	0.51	0.611	-.4289011	.7288145
advocacy_activ~y	-.6767086	.3939429	-1.72	0.086	-1.450588	.0971706
/cut1	-.0233586	.5510427	-0.04	0.966	-1.108249	1.061532
/cut2	.8563183	.5491968	1.56	0.120	-.2253271	1.937964
/cut3	2.23909	.5465597	4.10	0.000	1.161846	3.316334

Management Technology Scale

Histogram (Management Technology Scale)



Kernel Density Plot (Residuals)



Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	76.8596681	11	6.98724255
Residual	513.525101	487	1.05446633
Total	590.38477	498	1.18551159

Number of obs =	499
F(11, 487) =	6.63
Prob > F =	0.0000
R-squared =	0.1302
Adj R-squared =	0.1105
Root MSE =	1.0269

manage	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	-.0006685	.0018701	-0.36	0.721	-.0043431	.003006
percent_govt1	-.0006103	.001466	-0.42	0.677	-.0034908	.0022701
log_total_reve~e	.1455921	.0232946	6.25	0.000	.0998217	.1913626
log_age	.0424768	.0588816	0.72	0.471	-.0732165	.1581701
child_care	-.4200018	.2734001	-1.54	0.125	-.9571912	.1171875
crime_legal	.0679365	.2130049	0.32	0.750	-.3505856	.4864586
indiv_assist	-.1427142	.1342572	-1.06	0.288	-.406509	.1210807
basic_needs	-.3163094	.1631825	-1.94	0.053	-.6369382	.0043193
youth_devel	.1487618	.16585	0.90	0.370	-.1771081	.4746318
special_needs	-.2526066	.14679	-1.72	0.086	-.5410264	.0358133
advocacy_activ~y	-.0989465	.2380321	-0.42	0.678	-.5666432	.3687503
_cons	-.4156821	.2817703	-1.48	0.141	-.9693177	.1379535

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	505	0.97578	8.222	5.067	0.00000

Management Technology Scale (continued)

Stata Output (Ordinary Least Squares Regression with multiple imputation)

```
Multiple-imputation estimates                   Imputations       =         10
Survey: Linear regression                       Number of obs     =        624

Number of strata  =        16                   Population size   =  2020.397
Number of PSUs    =       624
                                                Average RVI       =     0.0762
                                                Largest FMI       =     0.3325
                                                Complete DF       =        608
DF adjustment:   Small sample                   DF:     min       =      73.69
                                                        avg       =     453.68
                                                        max       =     603.17
Model F test:       Equal FMI                   F(  11,  583.1)   =       4.23
Within VCE type:   Linearized                   Prob > F          =     0.0000
```

manage	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0001517	.0021886	0.07	0.945	-.0042095	.0045129
percent_govt1	.0005653	.0015654	0.36	0.718	-.002523	.0036537
log_total_reve~e	.0711896	.0210142	3.39	0.001	.029701	.1126781
log_age	.0541535	.0561801	0.96	0.336	-.056267	.164574
child_care	-.4256592	.2229418	-1.91	0.057	-.8635165	.012198
crime_legal	-.005749	.2005088	-0.03	0.977	-.3995681	.38807
indiv_assist	-.1297755	.1317361	-0.99	0.325	-.38852	.128969
basic_needs	-.373914	.1557288	-2.40	0.017	-.6797665	-.0680615
youth_devel	.151363	.1679641	0.90	0.368	-.1785026	.4812286
special_needs	-.2150206	.1412538	-1.52	0.128	-.4924466	.0624053
advocacy_activ~y	-.268936	.2297933	-1.17	0.242	-.7202525	.1823805
_cons	.4237434	.2412433	1.76	0.080	-.0502637	.8977505

Management Technology Scale (continued)

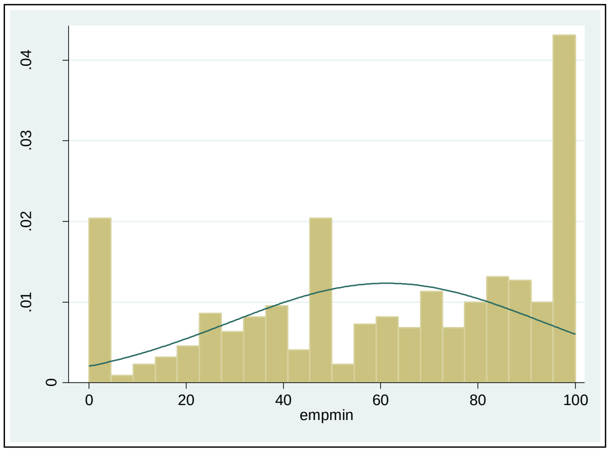
Stata Output (Ordered Logistic Regression with multiple imputation)

```
Multiple-imputation estimates                    Imputations       =         10
Survey: Ordered logistic regression              Number of obs     =        624

Number of strata  =        16                    Population size   =   2020.397
Number of PSUs    =       624
                                                 Average RVI       =     0.0627
                                                 Largest FMI       =     0.2986
                                                 Complete DF       =        608
DF adjustment:   Small sample                    DF:     min       =      88.15
                                                         avg       =     447.99
                                                         max       =     603.18
Model F test:       Equal FMI                    F(  11,  585.1)   =       3.45
Within VCE type:   Linearized                    Prob > F          =     0.0001
```

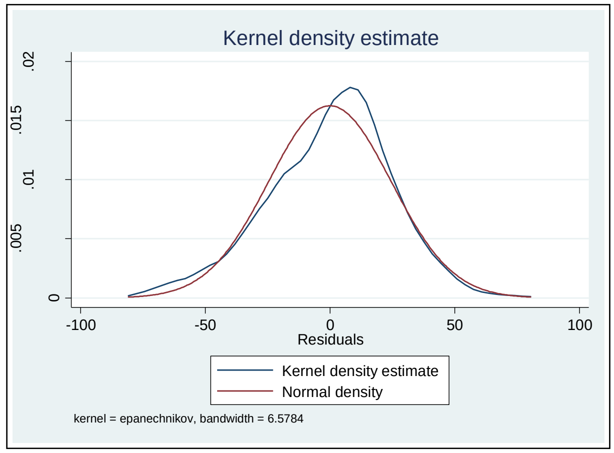
manage	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0006207	.0036697	0.17	0.866	-.0066717	.0079132
percent_govt1	.0010323	.0027012	0.38	0.703	-.0042956	.0063602
log_total_reve~e	.1366963	.0401972	3.40	0.001	.057339	.2160536
log_age	.0733562	.0980361	0.75	0.455	-.1193175	.2660299
child_care	-.6873158	.3589291	-1.91	0.056	-1.392235	.0176037
crime_legal	.0315271	.3432873	0.09	0.927	-.642695	.7057492
indiv_assist	-.2036569	.2202818	-0.92	0.356	-.6363351	.2290213
basic_needs	-.6917418	.2876464	-2.40	0.016	-1.256685	-.1267988
youth_devel	.2626412	.2997359	0.88	0.381	-.3260115	.8512939
special_needs	-.388057	.246466	-1.57	0.116	-.8721774	.0960634
advocacy_activ~y	-.4663204	.4132978	-1.13	0.260	-1.278031	.3453896
/cut1	.788346	.4616341	1.71	0.088	-.1189119	1.695604
/cut2	1.99243	.4732198	4.21	0.000	1.062333	2.922527
/cut3	3.182765	.4800131	6.63	0.000	2.239273	4.126257

Percentage Minority Employees

Histogram (Percentage Minority Employees)



Kernel Density Plot (Residuals)



Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	136773.863	12	11397.8219
Residual	240668.623	385	625.113308
Total	377442.486	397	950.736742

Number of obs =	398
F(12, 385) =	18.23
Prob > F =	0.0000
R-squared =	0.3624
Adj R-squared =	0.3425
Root MSE =	25.002

empmin	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0422902	.0526796	0.80	0.423	-.0612854	.1458658
percent_govt1	.2034635	.0405676	5.02	0.000	.1237017	.2832252
log_total_reve~e	.0602068	.7705655	0.08	0.938	-1.454837	1.57525
log_age	-3.325793	1.608703	-2.07	0.039	-6.488736	-.1628511
perc_pov_min	.5361091	.0506722	10.58	0.000	.4364801	.635738
child_care	18.7456	7.185131	2.61	0.009	4.618591	32.87261
crime_legal	3.361114	5.851864	0.57	0.566	-8.144498	14.86673
indiv_assist	9.921029	3.727428	2.66	0.008	2.592366	17.24969
basic_needs	-.6187318	4.592682	-0.13	0.893	-9.648611	8.411147
youth_devel	17.73783	4.606784	3.85	0.000	8.680222	26.79543
special_needs	3.5612	3.871552	0.92	0.358	-4.050833	11.17323
advocacy_activ~y	-7.092018	6.589014	-1.08	0.282	-20.04697	5.862937
_cons	18.49723	10.07295	1.84	0.067	-1.307649	38.30211

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	402	0.98872	3.118	2.707	0.00340

Percentage Minority Employees (continued)

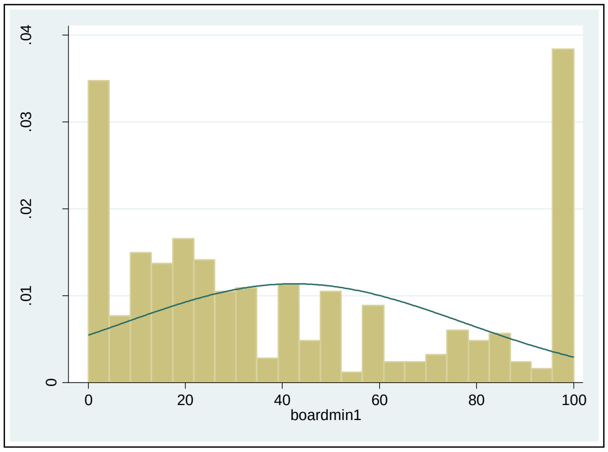
Stata Output (Ordinary Least Squares Regression with multiple imputation)

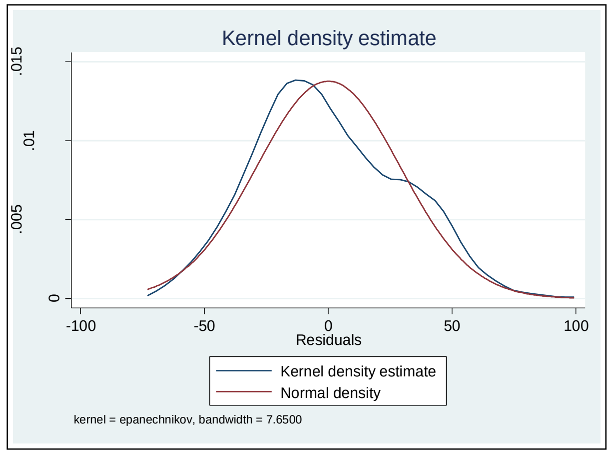
```
Multiple-imputation estimates                   Imputations       =         10
Survey: Linear regression                       Number of obs     =        485

Number of strata  =        16                   Population size   =  1546.124
Number of PSUs    =       485
                                                Average RVI       =     0.0706
                                                Largest FMI       =     0.2321
                                                Complete DF       =        469
DF adjustment:   Small sample                   DF:     min       =     120.89
                                                        avg       =     352.56
                                                        max       =     458.72
Model F test:       Equal FMI                   F(  12,  456.1)   =      25.12
Within VCE type:   Linearized                   Prob > F          =     0.0000
```

empmin	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0251335	.0588658	0.43	0.670	-.091408	.141675
percent_govt1	.1500575	.0439508	3.41	0.001	.0633571	.2367579
log_total_reve~e	.010517	.6953767	0.02	0.988	-1.363051	1.384085
log_age	-3.594052	1.525182	-2.36	0.019	-6.591621	-.596483
perc_pov_min	.5776113	.0502404	11.50	0.000	.4787707	.6764518
child_care	22.47772	4.355626	5.16	0.000	13.91813	31.03731
crime_legal	-2.306005	5.184918	-0.44	0.657	-12.49538	7.883369
indiv_assist	6.230583	3.823274	1.63	0.104	-1.283352	13.74452
basic_needs	-.0345496	4.840145	-0.01	0.994	-9.54626	9.477161
youth_devel	16.04129	4.171834	3.85	0.000	7.841458	24.24112
special_needs	4.774493	3.689924	1.29	0.196	-2.476928	12.02591
advocacy_activ~y	-7.190281	6.523227	-1.10	0.271	-20.00939	5.628833
_cons	19.35214	9.374861	2.06	0.040	.8680035	37.83627

Percentage Minority Board Members

Histogram (Percentage Minority Board Members) Kernel Density Plot (Residuals)





Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	149133.123	12	12427.7603
Residual	380301.703	443	858.468855
Total	529434.826	455	1163.59302

Number of obs	=	456
F(12, 443)	=	14.48
Prob > F	=	0.0000
R-squared	=	0.2817
Adj R-squared	=	0.2622
Root MSE	=	29.3

boardmin1	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	.0043866	.055299	0.08	0.937	-.1042943	.1130675
percent_govt1	.1529113	.045209	3.38	0.001	.0640604	.2417621
log_total_reve~e	-1.619914	.718166	-2.26	0.025	-3.03135	-.2084785
log_age	-8.369875	1.757969	-4.76	0.000	-11.82487	-4.91488
perc_pov_min	.5386003	.0559397	9.63	0.000	.4286601	.6485406
child_care	16.1274	8.349716	1.93	0.054	-.2825786	32.53737
crime_legal	-.7339004	6.469649	-0.11	0.910	-13.44892	11.98112
indiv_assist	9.416188	4.065976	2.32	0.021	1.425189	17.40719
basic_needs	-1.506261	4.816882	-0.31	0.755	-10.97304	7.960519
youth_devel	10.54002	5.062841	2.08	0.038	.5898465	20.49019
special_needs	2.418861	4.353652	0.56	0.579	-6.137517	10.97524
advocacy_activ~y	4.378681	6.884874	0.64	0.525	-9.152391	17.90975
_cons	38.48844	9.508423	4.05	0.000	19.80122	57.17566

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	461	0.98618	4.321	3.505	0.00023

Percentage Minority Board Members (continued)

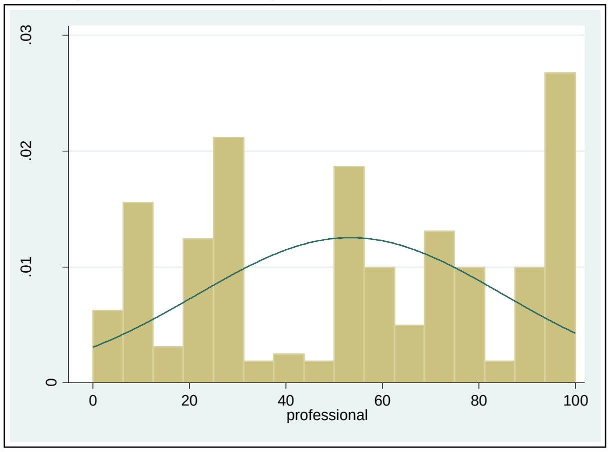
Stata Output (Ordinary Least Squares Regression with multiple imputation)

```
Multiple-imputation estimates                   Imputations       =         10
Survey: Linear regression                       Number of obs     =        569

Number of strata  =        16                   Population size   =    1832.76
Number of PSUs    =       569
                                                Average RVI       =     0.0512
                                                Largest FMI       =     0.1716
                                                Complete DF       =        553
DF adjustment:   Small sample                   DF:     min       =     190.90
                                                        avg       =     428.52
                                                        max       =     546.66
Model F test:       Equal FMI                   F(  12,  542.9)   =      23.75
Within VCE type:   Linearized                   Prob > F          =     0.0000
```

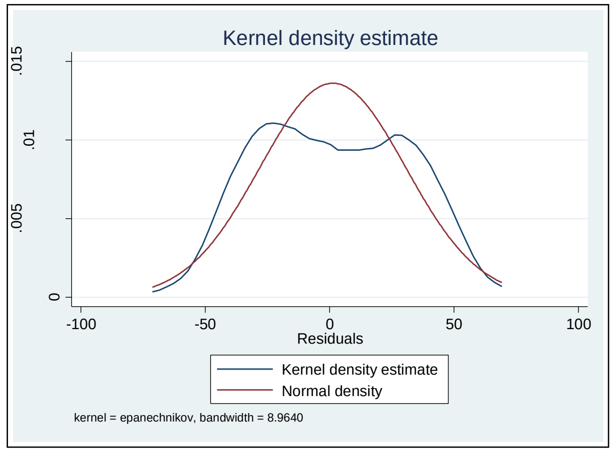
boardmin	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	8.03e-07	.0005094	0.00	0.999	-.001002	.0010036
percent_govt1	.001304	.0004378	2.98	0.003	.0004405	.0021675
log_total_reve~e	-.016221	.005534	-2.93	0.004	-.0271307	-.0053113
log_age	-.0769434	.0156704	-4.91	0.000	-.107728	-.0461589
perc_pov_min	.0058473	.0005038	11.61	0.000	.0048573	.0068374
child_care	.2331623	.0749479	3.11	0.002	.0859412	.3803834
crime_legal	-.0455145	.0531995	-0.86	0.393	-.1500174	.0589884
indiv_assist	.067993	.0385437	1.76	0.078	-.0077359	.1437218
basic_needs	.0033235	.0418626	0.08	0.937	-.0789161	.0855631
youth_devel	.0824799	.0440755	1.87	0.062	-.0041254	.1690853
special_needs	.0187434	.0392022	0.48	0.633	-.0582674	.0957543
advocacy_activ~y	.030289	.0746634	0.41	0.685	-.1163737	.1769517
_cons	.3523708	.0793714	4.44	0.000	.1960604	.5086812

Percentage College-educated Staff

Histogram (Percentage College-educated Staff)



Kernel Density Plot (Residuals)



Stata Output (Ordinary Least Squares Regression)

Source	SS	df	MS
Model	41354.9032	12	3446.24194
Residual	169823.886	200	849.119428
Total	211178.789	212	996.126362

Number of obs	=	213
F(12, 200)	=	4.06
Prob > F	=	0.0000
R-squared	=	0.1958
Adj R-squared	=	0.1476
Root MSE	=	29.14

professional	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	-.1704367	.0940843	-1.81	0.072	-.3559611	.0150878
percent_govt1	.0246783	.0669898	0.37	0.713	-.1074187	.1567752
log_total_reve~e	-2.851744	1.322333	-2.16	0.032	-5.459247	-.2442405
log_age	-3.896029	2.596768	-1.50	0.135	-9.016586	1.224528
college	.3562283	.1079857	3.30	0.001	.1432917	.5691649
child_care	-24.47462	11.1144	-2.20	0.029	-46.39106	-2.55819
crime_legal	3.623677	9.72248	0.37	0.710	-15.54804	22.7954
indiv_assist	-2.342037	5.807433	-0.40	0.687	-13.79369	9.109618
basic_needs	-15.79084	8.593478	-1.84	0.068	-32.73629	1.154604
youth_devel	-5.596788	7.649554	-0.73	0.465	-20.68091	9.487338
special_needs	-21.84735	5.794423	-3.77	0.000	-33.27335	-10.42136
advocacy_activ~y	12.84187	12.7269	1.01	0.314	-12.25425	37.938
_cons	103.7279	17.13505	6.05	0.000	69.93936	137.5164

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	221	0.96884	5.072	3.755	0.00009

Percentage College-educated Staff (continued)

Stata Output (Ordinary Least Squares Regression with multiple imputation)

```
Multiple-imputation estimates                   Imputations       =         10
Survey: Linear regression                       Number of obs     =        257

Number of strata  =        15                   Population size   =    848.636
Number of PSUs    =       257
                                                Average RVI       =     0.0380
                                                Largest FMI       =     0.1503
                                                Complete DF       =        242
DF adjustment:   Small sample                   DF:     min       =     138.59
                                                        avg       =     213.98
                                                        max       =     238.38
Model F test:       Equal FMI                   F(  12,  239.0)   =       6.45
Within VCE type:   Linearized                   Prob > F          =     0.0000
```

professional	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
percent_fees1	-.1268744	.0919201	-1.38	0.170	-.3086216	.0548727
percent_govt1	.0225031	.0650716	0.35	0.730	-.1058445	.1508507
log_total_reve~e	-1.399559	.8939308	-1.57	0.120	-3.165667	.3665484
log_age	-5.090628	2.279509	-2.23	0.027	-9.582623	-.598632
college	.3322157	.0992379	3.35	0.001	.1367061	.5277253
child_care	-19.35547	10.7012	-1.81	0.072	-40.43774	1.726798
crime_legal	11.50179	7.250985	1.59	0.114	-2.783097	25.78668
indiv_assist	-1.460255	5.362777	-0.27	0.786	-12.02498	9.104469
basic_needs	-12.91636	8.148945	-1.59	0.114	-28.97052	3.137803
youth_devel	-7.427944	6.980709	-1.06	0.288	-21.18041	6.324525
special_needs	-20.11858	5.481027	-3.67	0.000	-30.91633	-9.320828
advocacy_activ~y	15.75634	9.149411	1.72	0.086	-2.267689	33.78036
_cons	84.70966	10.49234	8.07	0.000	64.0088	105.4105

Appendix E

Missing Data Analysis

Table A-1.

Missing Data Summary Statistics

	Missing		Non-Missing	
Variable	No.	%	No.	%
Percent revenue from fees and charges	121	19%	518	81%
Percent revenue from government sources	122	19%	517	81%
Log of organizational size	104	16%	535	84%
Log of organizational age	7	1%	632	99%
Percentage non-white among residents living below poverty (in census tract)	18	3%	621	97%
Percentage of non-English speaking residents (in census tract)	0	0%	639	100%
Percentage of residents with a college degree (in census tract)	20	3%	619	97%
50% or more non-white clients	108	17%	531	83%
Non-English language services	2	0%	637	100%
Any collaboration	50	8%	589	92%
Some collaboration	50	8%	589	92%
Any nonprofit competition	70	11%	569	89%
Some nonprofit competition	70	11%	569	89%
Any for-profit competition	74	12%	565	88%
Some for-profit competition	74	12%	565	88%
Accountability tactics	62	10%	577	90%
Any management technology	12	2%	627	98%

Table A-1. (continued).

Variable	Missing No.	Missing %	Non-Missing No.	Non-Missing %
High management technology	12	2%	627	98%
50% or more non-white employees	154	24%	485	76%
50% or more non-white board members	70	11%	569	89%
Non-white executive	48	8%	591	92%
50% or more college-educated staff	382	60%	257	40%
Volunteer labor	22	3%	617	97%
Advocacy involvement	4	1%	635	99%
Child care	0	0%	639	100%
Clinical services	0	0%	639	100%
Crime and legal	0	0%	639	100%
Individual assistance	0	0%	639	100%
Basic needs and assistance	0	0%	639	100%
Youth development	0	0%	639	100%
Special needs services	0	0%	639	100%
Advocacy	0	0%	639	100%

Table A-2.

Differences in the Dependent Variable Mean Value between Respondents with and without Missing Observations among Independent Variables (IVs)

Dependent Variable	No Missing IV Values	At Least One Missing IV Value	Difference	P-Value
50% or more non-white clients	.776	.718	-.06	.215
Non-English language services	.749	.695	-.05	.199
Collaboration				
Any collaboration	.888	.725	-.16	.000
Some collaboration	.54	.363	-.18	.001
Nonprofit competition				
Any nonprofit competition	.786	.592	-.19	.000
Some nonprofit competition	.326	.224	-.10	.049
For-profit competition				
Any for-profit competition	.512	.454	-.06	.298
Some for-profit competition	.144	.093	-.05	.173
Accountability tactics	.686	.564	-.12	.018
Management technology scale				
Any management technology	.759	.557	-.20	.000
High management technology	.223	.139	-.08	.041
50% or more non-white employees	.623	.482	-.14	.017
50% or more non-white board members	.326	.398	.07	.155
Non-white executive	.349	.393	.04	.358
50% or more college-educated staff	.468	.528	.06	.511
Volunteer labor	.848	.675	-.17	.000
Advocacy involvement	.619	.402	-.22	.000

Appendix F

Los Angeles Nonprofit Human Services Survey (LANP) Dataset Activity Codes
(NTEE-CC Codes and Descriptions)

Child Care (e.g., day care providers)

P02 Child Care

Basic Needs

Food and Nutrition (e.g., food programs, primarily meal delivery programs for the home-bound elderly).

K01 General/Other
K03 Food Programs
K04 Hunger Action Programs
K05 Nutrition Programs

Shelter (e.g., emergency shelter programs, housing support)

L01 General/Other
L02 Emergency Shelter Programs
L05 Housing Social Issues
L06 Housing Support Programs

Emergency Assistance (e.g., holiday assistance, personal/household goods and services)

P03 Emergency Assistance Programs

Clinical Services

Health Support

E08 Patient and Family Support Programs
E12 Rehabilitation Services
El3 Reproductive Health Programs

Mental Health and Substance Abuse (e.g., mental health counseling clinics, substance abuse treatment, inpatient and outpatient).

F01 General/Other
F02 Mental Disorders programs
F03 Mental Health Care and Counseling Programs
F04 Substance Abuse Programs

Children and Family Services (e.g., parenting, foster family)

P02 Children and Youth Services (except for child care)
P04 Family Based Programs

Crime and Legal (e.g., crime control and prevention programs)

101 General/Other
102 Correctional Systems Programs
103 Crime Control and Prevention Programs
104 Crime Victims Programs

Individual Assistance

Employment (e.g., employment procurement and vocational rehabilitation, supported employment).

J01 General/Other
J02 Employment Procurement Programs
J03 Labor Programs
J04 Vocational Rehabilitation Programs

Human Services (e.g., personal social services, ESL, case management, companionship programs).

P01 General/Other
P05 Personal Social Services

Youth Development (e.g., general youth development programs, after school care, youth mentoring programs).

B06 Student Services
001 General/Other
002 Faith Based Programs
003 Scouting Programs
004 Youth Agriculture Programs
005 Youth Business Programs
006 Youth Citizenship Programs
007 Youth Community Service Programs

Special Needs Services

Residential Care Programs (e.g., homes for individuals with disabilities and the elderly)

P06 Residential Care Programs

Elderly and Disabled Services (e.g., day and assistance programs for the elderly and disabled)

P07 Specialized Human Services

<u>Advocacy</u> (e.g., litigation and public education, promoting rights of disadvantaged groups).

R01 General/Other (Civil Rights, Social Action and Advocacy)
R03 Civil Rights Programs

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