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Competition and Sensegiving: Nonprofit Markets and Organizational Signaling

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In this paper, we investigate how an organization's position within its nonprofit marketplace influences how nonprofits convey images about themselves to their stakeholders. We discuss the nature of competition in the nonprofit sector and explore the different competitive positions that nonprofits find themselves in. We assess how this positionality affects the ways that nonprofits attempt to convey images, or senses, of themselves to external audiences. We find that these sensegiving approaches are affected by competition, particularly when considered together with the stage of the organization's lifecycle.

Keywords: Nonprofit Competition, Sensegiving, Nonprofit Markets

Introduction

The nonprofit sector is competitive and as the sector continues to grow, competition, particularly for resources, is only likely to increase further. Although nonprofits may not acknowledge the idea that they must compete to survive (Curley et al., 2021), cognition of the nature of their competitive environment is essential for identifying ways to thrive in the resource acquisition market (Chetkovich & Frumkin, 2003; Tuckman, 1998; Walk et al., 2022.). In this setting, nonprofits tend to focus on external signaling to potential donors regarding their financial stewardship and reputation as a provider of efficient, quality services (Barman, 2002; Weisbrod, 1998).

Although the reality of competition in the nonprofit sector, and the ways in which that competition affects organizational strategy has been noted often in the literature (Harrison & Thornton, 2022), this reality has not necessarily translated into nonprofit leaders acknowledging competition (Curley et al., 2021; Sharp, 2018). Nonprofits are unique in that they obviously do compete for resources against one another, while they also appear to negate this behavior (Sharp, 2018). This negation may occur, in part, because of the need to manage organizational identity across a diverse set of stakeholders. One way to do this is through the deployment of deliberate organizational sensegiving images that convey to stakeholders who the organization is/what it does in such a way the organization remains recognizable to donors, clients, collaborators, and competitors alike (Levine Daniel & Eckerd, 2019). That is, the organization needs to convey its image of itself to a wide variety of different stakeholders including funders, donors, clients, governments, and the public generally.

The trick for nonprofits is to recognize and act upon the reality that they are in competition, that they play a particular role within their competitive environment, but doing so with the knowledge that their stakeholders often perceive them not to be operating competitively. They must chart a path of communicating ‘who they are,’ often in comparison to other organizations, while taking care to not disparage these competitors, who are also quite often collaborators (Curley et al., 2021). In this research, we explore how nonprofits provide a sense of who they would like be perceived as in a competitive resource marketplace, and investigate the relationship between the images that they use to convey their organizational identity and the nature of the competitive environment in which they operate and their status within that marketplace.

Sensegiving and the Competitive Environment

Organizational identity comprises that which is central or core to the organization’s character, is unique to the organization, and endures over time (Albert & Whetten, 1985). While adhering to these key criteria, organizational identity is also dynamic (Gioia et al., 2000), responsive, and/or specialized or fractured, with specific signals set to match distinct audiences (Levine Daniel & Eckerd, 2019). In order to acquire the resources they need to survive, all organizations have to convey who they are, i.e., their identity, to various stakeholders, in ways that appeal to those stakeholders. They do this through sensegiving (Albert & Whetten, 1985; Gioia & Chittipeddi, 1991). Organizations engage in sensegiving in the form of intentional branding and marketing campaigns but also send signals through general communication and interaction with stakeholders. (Liu et al., 2015; Wymer et al., 2006). Sensegiving is different from branding and marketing in that the relational component of communication encompasses more than monetary resource acquisition. Marketing and branding would be part of a sensegiving strategy, but sensegiving extends to a broader set of communication strategies that the organization employs. Every donor management conversation is an exercise in sensegiving, but so is every interaction between a volunteer and a client, and even with an employee.

Nonprofits can, and do, tailor their signals based both on what the organization wants from its intended audiences and also what those audiences’ preferences are. A sensegiving strategy is an attempt to speak the language of a stakeholder being spoken to. How nonprofits frame efficiency (Eckerd, 2015), earned revenue (Levine Daniel & Galasso, 2019), and overhead (Qu & Levine Daniel, 2021) are all examples of sensegiving, i.e., organizations attempting to send messages to various stakeholders that will resonate and ultimately yield access to resources. We expect that the nature of the competitive environment, and an organization’s standing within that environment, is yet another factor that influences nonprofit sensegiving approaches.

In the nonprofit sector, there are some markets that are competitive with multiple organizations roughly balanced in their share of resources, and other markets that are characterized by one or a few large dominant organizations that possess the bulk of that market’s resources (Harrison & Thornton, 2022). In the former setting, all organizations are on roughly similar footing, actively competing against one another. In the latter setting, organizations may be in a dominant position or challenging that domination. The acquisition of scarce resources, which is necessarily relative to other organizations in the market, is the paramount goal, even for mission-oriented organizations.

For those organizations that have either a clear niche or sit in a dominant position relative to other organizations, resource acquisition may be relatively consistent and different from settings where organizational niches are less clear, at least provided that the composition of the market is relatively stable (Paarlberg & Hwang, 2017). In the settings where competitive pressures may be minimal, an organization in a dominant position may not need to focus much

on differentiating itself from other organizations but rather on maintaining its dominant position (Gayle et al., 2017). These organizations may focus on achieving a sufficient level of status and legitimacy with organizational stakeholders to enable the organization to thrive, building a strong reputation over time; seeking stability, and limiting potential competition (Oliver, 1991).

Conversely, as the market for resources becomes more competitive, stability may be more difficult to attain (Van Puyvelde & Brown, 2016). When markets are competitive with many organizations competing for resources, organizations must find some way to differentiate themselves from their resource competitors (Barman, 2002). This can be done through a variety of different methods, such as focusing on revenue diversification (Tuckman, 1998), cultivating relationships with foundations and other grantors (Waters, 2009), by adhering to external standards of financial accountability (Sloan, 2009), or by making a personal connection with its stakeholders.

In other words, nonprofits likely adopt different management strategies depending upon the nature of the competitive environment and their position therein. It has been demonstrated that organizational factors play a role in the extent to which organizations follow more of a customer-orientation and offer more tangible and individual level services, or more of a donor-orientation and offer services that are collective or public in nature (Chetkovich & Frumkin, 2003). External factors likely play a role as well (Paarlberg et al., 2018). Competition has been assessed in a variety of different settings, such as monopsonistic situations, like competing for government funding (Lecy & Van Slyke, 2013; Nikolova, 2015) and the implications of competition on fiscal outcomes for organizations (Paarlberg et al., 2018).

As noted by Harrison and Thornton (2022), nonprofit competition has typically been assessed in one of two main ways in the literature. First is a focus on the nature of the market itself, typically in consideration of how broad community characteristics affect the population of nonprofits and the nature of the markets that they work within (Gronbjerg & Paarlberg, 2001; Koch et al., 2015). Secondly, there are studies that assess how market competition affects outcomes like grant acquisition or financial stability (Faulk et al., 2016; Paarlberg & Hwang, 2017). Our interest is similar, but rather than focus on outcomes we are more interested in the interplay between competition and strategy—or more generally speaking, we are interested in the moderating effect that strategy plays on both organizational outcomes and the competitive environment itself (Harrison & Thornton, 2022).

Part of the reason that distribution of nonprofits in a community matters is because those nonprofits are competing against one another for resources. For example, nonprofits that focus on serving customers may behave differently depending upon how their competitors frame themselves. Barman (2002) compared organizational behavior in a competitive and a monopolistic environment, finding that in crowded markets nonprofits felt pressure to differentiate, relative to organizations in more concentrated markets. Barman (2002) notes that "...[I]n order to differentiate themselves, nonprofit organizations must assert uniqueness based on a particular measure. Differentiation entails the construction of a hierarchical relationship between nonprofits and their rivals..." (Barman, 2002, p. 1194).

Organizations may be able to dictate the terms of this hierarchical relationship, particularly if they are already a market leader, but other nonprofits are often forced to conform to institutional expectations of important measures, leaving organizations vulnerable to the whims of market leaders and donor expectations (Eckerd & Moulton, 2011). However, nonprofit environments are not dichotomously either competitive or monopolistic (Castaneda et al., 2007). There is thus likely variability across different competitive environments regarding the images that nonprofits try to convey in order to acquire resources.

Sensegiving Strategies

Most nonprofits cannot compete in the comparatively straightforward modes of price or quality that for-profits do—both price and quality are difficult for nonprofits to define or for stakeholders to perceive. As such, nonprofits likely need to communicate some image about who they are to their stakeholders—sometimes in a specific way to specific stakeholders, like in a donation solicitation, but also sometimes in a general way that can simplify the message that is received by a diverse set of stakeholders. Although literature that is specifically about nonprofit sensegiving is at a relatively early stage, it is evident that nonprofits do engage in a process like sensegiving in ways that seem related to competition.

Young nonprofits have been shown to convey an image of being more efficient when entering existing service areas (Castaneda et al., 2007). Older nonprofits have been shown to focus on building brand reputation (Podolny, 1993). As noted previously, Chetkovich and Frumkin (2003) suggested that nonprofits convey different images depending upon whether they are communicating with primarily a donor or client audience. Levine Daniel and Eckerd (2019) specifically looked at sensegiving approaches that nonprofits use to communicate with donor audiences, finding that nonprofits conveyed three types of images: a professional image, characterized by conveying an impression of an organization that follows *professional* management practices; an output orientation that conveys an image of being *results-oriented*; and a *symbolic* image, characterized by demonstrating conformance with external expectations of high program and low fundraising spending.

The literature on both sensegiving and its relationship to competition is nascent enough that theoretical development is needed. Despite having a substantial literature base to draw tangential insights from, we believe that exploratory studies that can build towards theories of nonprofit competition are most relevant at this stage. To that end, we do not pose specific expectations about the relationship between a nonprofits competitive position and the sensegiving approaches it employs but rather frame our study as an exploration into this relationship for the purposes of developing a proof of concept and to build more of an empirical base from which to theorize. As such in the following sections, we describe our exploratory study, our data and approach, and conclude with some insights into how we think that nonprofit competition affects the sensegiving approaches that organizations use.

Data and Methods

Our data are from the National Center for Charitable Statistics (NCCS). The NCCS Core file data include the information provided from all of the 990 forms filed with the IRS, and we utilized a panel of tax data from 2008-2012 for a sample of roughly 5,500 nonprofits. We say roughly because we did not have complete information for each organization for each year. Given that these data are from tax purposes, there were years that organizations had nothing to report in certain sections of their tax returns and those fields return empty, and also given that we are using some data from survey files and not all organizations are surveyed each year.

We are limited to these years, because we use data from the SOI NCCS survey, which includes questions on the functional expenditures of individual organizations to supplement the larger dataset and was consistently collected during this time span. For example, organizations need only report basic designations of expenses on a regular tax form, whereas the survey requests a full breakdown of functional expenses, akin to what one might find in an audit report. Problems with the NCCS data, and in the reporting of information on the 990 are well documented (Froelich et al., 2000). However, our focus here is less on the accuracy of the information provided in the 990 and more on the sense of the organization that it is trying to convey about itself. That is, while we acknowledge that 990 data may contain misinformation or inaccuracies, our considerations are with how the nature of the competitive environment

alters the way that organizations appeal to their market through what they report in their financial information.

From this perspective, we view the 990 more as a means through which the organization can convey a sense of who it is, than as an accurate depiction of their financial records. We also note that the 990 data are limited to more formalized organizations and thus is not representative of small, very young, or church-based organizations. Again, however, our main goal is to assess how nonprofits strategize to acquire resources in the marketplace, and we note the universe of organization that fill out 990s are the relevant sample for considering the nature of competition—in short, if an organization does not fill out a 990, its competitors may not even know it exists, or the organization might be operating at such a localized level that they do not really exist in a market as we have conceived it here. Nevertheless, our results should be interpreted with this potential selection bias issue.

The benefit of using these data is that thousands of organizations are included, over a panel of several years. We can look at a wide range of organizations and the markets of organizations within different community environments and draw comparisons across a diverse range of settings. The downside of using these data, in addition to the previously noted accuracy issues, is the limitations on the types of data that are collected. Given that the data are mostly related to tax filings, we are limited to considering only basic financial and organizational demographic characteristics, supplemented as best we can with the survey data. To that end, we cannot directly observe the specific sensegiving strategies that individual organizations used, as for example in Levine Daniel and Eckerd (2019), but rather just a broad set of images that we can discern through general trends of financial reporting. We see this tradeoff of generality for specificity as reasonable, particularly when coupled with more specific studies like the aforementioned Levine Daniel and Eckerd (2019) study. Drawing from the literature described in the previous sections and our own arguments, we collected key variables based upon the data that were available to us. These variables are described below.

Age

As we noted above, we are interested in not just an organization's competitive market, but also its position within that market. Perhaps the most straightforward way to assess an organization's standing in a market is by its age. While age itself is not necessarily indicative of success in a market, an organization that has been around for a long time has at least demonstrated the ability to survive. Further, as organizations evolve, not only do they alter according to a market, a market evolves based upon the organizations that operate within. This mutual adaptive process helps explain aspects of both the organization and its strategy as well as the market. We measure age straightforwardly as the number of years between the organization's reported incorporation date and the 990 tax year. We do note some limitations with this approach, and indeed with any approach of measuring the true age of nonprofit organizations (Levine Daniel & Andersson, 2021). The actual 'birth' of nonprofits has been notoriously difficult to identify and so we utilize the incorporation date under the assumption that this date should be relatively proximate to the point at which a young organization recognized the need to appeal to a broad stakeholder base. Owing to the overall skewness of the distribution of ages in our data (i.e., there tend to be many more younger organizations than older ones), all results discussed below report the natural log of the organizational age.

Competitive Environment

Although there are a variety of different ways that we could conceive of nonprofit environments for purposes of measuring competition, we opted for a relatively straightforward operationalization, based on a review of the donation market literature (Thornton, 2006). We define market segments by organizations being located in and operating within a Core-Based Statistical Area (CBSA) and serving similar clients as defined by National

Taxonomy of Exempt Entities (NTEE) categories, defined at the major alpha code level (i.e., the first digit of each code consisting of the alphabetical major level), leaving us with 25 unique categories in our data, not all of which are represented in each geographic region that we assess. We define market segments geographically to account for the fact that, while the best-known nonprofits are national or international in scope, the vast majority of nonprofits are local in nature, are generally small, serving clients and seeking donors within a single geographic area.

We acknowledge that there are many other ways we could have defined competitive environments, including based on organizational tasks (Moulton & Eckerd, 2012), but we opt for a convention that is common in the field, particularly when using 990 data (Harrison & Thornton, 2014; Seaman et al., 2014). NTEE codes have, rightfully in our mind, fallen out of favor as indicators of nonprofit categories, but during the time of the data we use (2008–2012), nonprofits would have been very familiar with the NTEE codes and we believe it to be a reasonable assumption that organizations would have identified with these categories as market segments.

We also believe that this modeling choice is reasonable considering that our argument is about how stakeholders perceive an organization, and while a general donor may not know what an NTEE code is, it is reasonable to assume that they may well begin their search for a nonprofit based on geographic proximity and search terms quite consistent with the major-level code of the NTEE. A key challenge with this approach is the level of detail to use within the NTEE categories. The NTEE contains nested categories of organizations; at the highest level, these categories are very broad and are not sufficiently granular to describe realistic nonprofit markets, while at lowest levels, the categories can get so narrow that there might be only one or two organizations in a CBSA that fit within.

We opted for the major alpha code level as a reasonable balance between sufficient narrowness, but still broad enough to give us reasonable depictions of realistic markets. We also note that, since our interest is investigating markets at the CBSA level, we eliminated organizations from our analysis that served as headquarters organizations that clearly operate on the national or international level. We retained all subsidiaries, however, as they operate at the local level.

Within those market segments, we define competition in several different ways. First, as has been done before in nonprofit research, we consider the carrying capacity or density of a market by tabulating the number of nonprofits in each market per 1,000 people (Gronbjerg & Paarlberg, 2001; Harrison & Thornton, 2014). This number gives us an overall picture of how prevalent the number of organizations is in each CBSA but is limited because it does not provide information about the relative level of competition or concentration in those markets. Therefore, we also tabulate several Herfindahl-Hirschman Index (HHI) variables. The HHI is a well-established measure that is used in the industrial organization literature to assess the competitiveness of markets (Rhoades, 1993), and was also shown to be a relevant way to consider competition in the nonprofit sector by Seaman et al. (2014).

We assess the distribution of the following financial variables in each nonprofit market: total end-of-year assets; total contributions; direct public support; total gross receipts; total expenses; and total revenue. We assessed several initially in order to conceive of competition from both demand and supply perspectives, and ultimately present a narrower set given high correlations between these different HHI calculations. In our models we include measures of HHIs of public contributions and of gross receipts, and also use organizational density (number of organizations in each market, per 1,000 population in the CBSA) as a measure of competition, which as noted above, has also been used in the literature. We provide more detail about these calculations in the Appendix.

Sensegiving Images

We observe the strategies/sensegiving signals that organizations convey indirectly via an exploratory factor analysis. The variables we used for this procedure can be broken down into four general categories, derived from previous literature (Levine Daniel & Eckerd, 2019) and with consideration of metrics that are commonly used by charity watchdog groups like Charity Navigator. Our assumption is that these variables provide an opportunity for nonprofits to engage in sensegiving because they are the sorts of measures that the public is likely as least passingly familiar with, even if they tend to misinterpret them (Charles & Kim, 2016), and because these financial figures inform the watchdog reporting that donors rely upon (Eckerd, 2015). Stated simply, while these financial indicators do not represent the totality of information that an organization can use to convey a sense about who they are, these indicators likely fit into a broader strategy that organizations use to convey certain images (Krishnan et al., 2006).

As noted, we viewed this factor analysis as exploratory in nature, and followed the procedure recommended by O'Rourke and Hatcher (2013). We began by assessing simple correlations between a large number of indicators, eliminating those indicators that were uncorrelated with other indicators (i.e., no correlations greater than $|0.3|$). We then ran the factor analysis procedure iteratively until we extracted components that we could meaningfully interpret as indicative of the most theoretically sound model. Next, we discuss the variables used and the factors extracted. First, we look at the proportional amounts of revenue from different sources. We expect this to help identify when organizations seek to acquire resources from the general public, the government, program fees, or membership dues. Second, we look at several different expense proportion allocations. We include the standard expense ratios (program, fundraising, and administrative) but also several further breakdowns of program spending (such as spending on salaries and benefits, advertising, and technology resources). Third, we include several indicators of commercialization and professionalization, such as the utilization of a professional auditor, use of conflict of interest and whistleblower policies, and the remuneration of workers (the proportion of employees that earn at least 6 figures) to account for labor market considerations. We provide more details about the factor analysis approach we used in the Appendix.

We describe our extraction process in full detail in the Appendix, and demonstrate the four factors we extracted in Table A2. To interpret these factors, we relied on related literature, finding the roles described by Moulton and Eckerd (2012) and subsequent research fit the results of the factor analysis well (Levine Daniel & Fyall, 2019; Levine Daniel & Eckerd, 2019; Mitchell, 2014; Shier & Handy, 2015). These roles are seen as the different strategic choices that nonprofits use to reflect their priorities and communicate who they are as an organization; an idea quite similar to sensegiving generally. We do not find complete overlap with the roles identified in this work, but we find conceptual overlap with several of the roles that have been observed previously and thus we use language consistent with the literature. We extracted the following factors, representing our measurement of sensegiving images from the factor analysis, which describe below: a *capacity building* approach that seems to reflect an image of commitment to human resources and capacity building; an image of *professionalism* in organizational operations; an *individual expression* or values representation image; and a *ratio management* approach that creates an image of efficiency.

Organizations scoring high on the capacity building factor had higher administrative spending rates and spent more of their program expenses on things like salaries and benefits, advertising and technology. In other words, these organizations illustrated investment in themselves, and in particular in their employees and collaborators. This makes sense—drawing on the literature, we had conceived as competition existing in the domains of donated resources and outputs, but nonprofits must also compete in labor markets. We believe this factor demonstrates an image of an organization that is committed to its capacity to provide

services. The second factor scores high on professionalism indicators, with high levels of assets, use of professional policies like whistleblower protections and conflict of interest procedures, and a high level of program revenue relative to public support, representing an organization that invested in itself and diversified its resource base. The third factor showed organizations that were professionalized in nature, but in contrast to the second factor, tended to rely on public support rather than program revenue, and consistent with this, also tended to report higher fundraising expense ratios. We see this factor as consistent with an organization that is demonstrating its commitment to providing donors with an outlet to express their views. Finally, the fourth factor is a relatively clear indicator of an organization that spends proportionally more on programs than on overhead and is potentially concerned about how the proportions of expense choices are perceived which is consistent with the symbolic image observed by Levine Daniel and Eckerd (2019), but we view it as more specifically about ratio management in our case. We do note that higher fundraising expenses, which are part of our professionalism factor have been seen as problematic historically, but recent literature and trends in the nonprofit sector have noted that the fundraising ratio has tended to be misrepresented as a 'bad' thing and that some amount of fundraising is obviously necessary (Eckerd, 2015); thus a higher ratio is consistent with professionalism while a lower one is consistent with a ratio management image. We discuss these unobserved factors in more detail in the Appendix.

To account for the likelihood that organizations of different size may respond to competition differently, we consider two additional variables at the organization level: functional expenses for each year and the number of employees for each year, both logged to account for wide distributions in our data. Although our focus here is not on how aspects of the geographic area, such as need for services or the culture of the region, affect the competition response, we recognize that these issues could have an effect and therefore also include variables for: the logged total population of the metro area, the median household income of the metro area, the proportion of residents that have earned a high school diploma or equivalency, and a Gini coefficient to measure the extent of economic inequality in the metro area. Lastly, we control for the region of the county in which the metro area is located, both to account for labor market considerations and potential cultural distinctiveness.

Our final analytical data set is a panel dataset with the organization-year as the unit of analysis. All independent variables are lagged for one year from the dependent variables to account for endogeneity concerns. We do note, however, that this will not completely eliminate endogeneity concerns, as it is probably that organizations' and their competitive environments' evolution over time are interdependent, particularly for those organizations that dominate local markets. Nevertheless, a one-year lag should ensure that this is more of a conceptual consideration when interpreting our results rather a technical endogeneity problem with our analysis.

Given our use of dependent variables that are not mutually exclusive (i.e., an organization could be conveying more than one image at a time), we must account for potential dependence amongst our dependent variables. Indeed, correlations are significant amongst each of our factor/dependent variables, such that a ratio management approach and an individual expression image are not likely to be used in tandem ($r=-0.51$), nor are a capacity building focus and a professionalism stance ($r=-0.40$). Individual expression and professionalism signals are also unlikely to be used in tandem ($r=-0.58$), with ratio management and professionalism strategies somewhat likely to be used together ($r=0.23$). Breusch-Pagan tests (minimum $\chi^2=6,664.40$) for each of our models indicated such correlations were present and thus we run each of our models below as a system of equations via seemingly unrelated regressions (SURs) (Zellner, 1962). A SUR model is used to consecutively estimate multiple regression models in order to account for the correlations between the dependent variables used in each separate model. A SUR model estimates a system of maximum likelihood regression models, weighting each model to eliminate the correlated error terms associated

with each dependent variable. This process makes sure that any dependence between the individual regressions is accounted for separate from the relationships between the left and right sides of each of the individual regressions.

In addition to our dependent variables being correlated, because we are using a panel of organizations over a period of years, we are able to use a fixed-effect estimation to control for any unobserved variables that exist within our groups of organizational-years. Our final models, presented in Tables 1 through 4 are each fixed effect seemingly unrelated regressions, with standard errors clustered by organization. We standardized each of the factor variables for ease of interpretability, such that each coefficient can be read as the rate of change in standard deviations of the factor scores. Finally, given the likely presence of heteroskedastic errors, all models were estimated with bootstrapped robust standard errors. We ran a total of four models, one each using our three different measures of competition (HHIs for public contributions and gross receipts, and organizational density), and a final model that includes all three of these variables. As we noted above, the markets for input and output resources can be different for some organizations depending upon the types of services they provide, and organizational density is fundamentally more about the number of competitors rather than the distribution of certain resources. This final model accounts for this variability in market types. We provide much more detail about our modeling strategy in the Appendix.

Results

In the tables below, we show the results of our analyses. In this section, we describe the trends that we identify in the relationships. We provide more detailed discussion of the results in the Appendix, including a discussion about interpretation of our coefficients, which can be a bit confusing given our use of standardized factor scores as dependent variables. In terms of our result trends, we first find that age is associated with the sensegiving stance that an organization takes, but age is not always associated in ways that might be expected. In each model, older organizations are more likely to use ratio management and professional signaling, while younger organizations are more likely to send signals of individual expression and with a capacity building focus. Competition results are a bit more mixed, but when measured according to the distribution of contributions (or the input/donation market) within a market, the results are clear. As contribution competition increases, organizations are more likely to use ratio management and professionalism images. In less competitive markets, organizations are more likely to follow individual expression and service delivery approaches. These results are robust to the inclusion of the other competition measures.

When competition is measured via gross receipts (or the output side), a capacity building focus is associated with less competitive environments, perhaps accounting for a relatively settled market in which each organization serves a particular service niche. Similarly, a professionalism approach is associated with less competitive environments as measured via gross receipts but this approach is more likely in more competitive environments as measured via contributions (i.e., the input side). This demonstrates how input and output markets may be different and suggests that sending a signal of professionalism may be important when competing for resources but might be less important in providing outputs/services. These results (shown in Table 2) are also robust to the full model (in Table 4). When we measured competition via the density of organizations, there were no meaningful associations with any of the sensegiving images.

Our organizational level variables also exhibit some consistent trends. Organizations with higher functional expenses (i.e., larger organizations by monetary resources) are associated with the professionalism image. Organizations with a large number of employees (i.e., larger organizations by number of employees and volunteers) have a negative association with the use of individual expression images. Finally, although we did not include these results in our

Table 1. Competition Measured via Contributions

	Ratio Management	Individual Expression	Professionalism	Capacity Building
Age	0.136*** (0.017)	-0.050*** (0.012)	0.117*** (0.008)	-0.038*** (0.015)
Competition— Contributions	0.195*** (0.071)	-0.218*** (0.054)	0.063* (0.038)	-0.193*** (0.065)
Functional Expenses (logged)	-0.140*** (0.007)	-0.036*** (0.007)	0.260*** (0.006)	-0.349*** (0.013)
Total Size (logged employees)	0.172*** (0.007)	-0.206*** (0.005)	0.110*** (0.004)	0.136*** (0.006)
Metro Gini Coefficient	0.369 (0.499)	0.733** (0.370)	-0.351 (0.259)	0.422 (0.571)
Metro Population (logged)	-0.014 (0.004)	0.019** (0.009)	0.003 (0.007)	0.019 (0.016)
Metro Prop Without High School Dip.	-0.009** (0.004)	0.012*** (0.003)	-0.007*** (0.002)	0.004 (0.004)
Metro Median Household Income	0.001 (0.001)	0.001 (0.001)	-0.001 (0.001)	0.001 (0.001)

Notes: United States regional dummy variable results not shown. All models run with fixed effects for organization and year. *p<0.10; **p<0.05; ***p<0.01

tables (to save space), nonprofits in the Mountain West and on the West Coast were more associated with using individual expression images, a capacity building focus was more associated with the mid-Atlantic region than anywhere else, and organizations in the Midwest were associated with the use of professionalism images.

Discussion

We see two key conclusions from our work. First, considering the concentration of resources in terms of both contributions and spending can provide us with important information about the market contexts in which nonprofits work. Secondly, there appears to be a relationship between the level of competition in an environment and the types of signals that nonprofits choose to convey about themselves. Young organizations may tend to present themselves as a vehicle for individuals to express themselves and their individual values through an appeal to a set of resources providers that may not have their values otherwise represented. This is in line with the supply-side argument about the formation of nonprofits (Salamon & Anheier, 1998).

Generally speaking, older organizations were associated with sending images of professionalism, also in line with what we might expect from the literature (Eikenberry & Kluver, 2004). When competition is measured on the output side via concentration of gross receipts, we might infer a picture of older organizations becoming more dominant players in their environment, reducing the competition they face and enabling them to professionalize, instituting a set of policies to ensure consistency and even shifting towards more program service revenue as a way to further diversify their funding base. In contrast, when competition is measured as an input via concentration of public contributions, competitive pressures may foster a measure of conformance around professional norms as organizations competing for scarce donated resources may feel the need to send efficiency images via expense ratios to donors that they are worthy stewards of donated resources. When there is more competition over donated resources, organizations signal ‘better’ expense ratios, and older organizations are more likely to report ‘better’ expense ratios. This may indicate that, as previous scholarship has emphasized (Eckerd, 2015), the expense ratios are not actual measures of efficiency and

Table 2. Competition Measured via Gross Receipts

	Ratio Management	Individual Expression	Professionalism	Capacity Building
Age	0.136*** (0.017)	-0.050*** (0.012)	0.117*** (0.008)	-0.039** (0.015)
Competition—Gross Receipts	0.037 (0.064)	-0.035 (0.042)	-0.068** (0.033)	-0.110* (0.058)
Functional Expenses (logged)	-0.141*** (0.009)	-0.035*** (0.007)	0.259*** (0.006)	-0.349*** (0.013)
Total Size (logged employees)	0.172*** (0.007)	-0.206*** (0.005)	0.110*** (0.004)	0.136*** (0.006)
Metro Gini Coefficient	0.336 (0.500)	0.759** (0.372)	-0.406 (0.260)	0.413 (0.568)
Metro Population (logged)	-0.005 (0.013)	0.011 (0.010)	0.013* (0.007)	0.017 (0.015)
Metro Prop Without High School Dip.	-0.010** (0.004)	0.012*** (0.003)	-0.008*** (0.002)	0.003 (0.004)
Metro Median Household Income	0.001 (0.001)	0.001 (0.001)	-0.001 (0.001)	0.001 (0.001)

Notes: United States regional dummy variable results not shown. All models run with fixed effects for organization and year. *p<0.10; **p<0.05; ***p<0.01

therefore, older organizations have the capacity and/or expertise to be able to signal more socially acceptable ratios. New entrants may actually be more efficient, but that efficiency is not actually reflected in ratios.

It may also indicate that new nonprofits are less likely to enter highly competitive markets. The more competitive markets appear to be occupied by older organizations, while newer nonprofits appear to operate in less competitive markets. With the limitations of our data, we do not know if these less competitive markets are truly low competition or if they are emerging markets, but it would make sense for newer organizations to be operating in either type.

Emerging markets may be an ideal place for young organizations to find their competitive advantage, but they may also enter markets with low competition, i.e., those markets in which one or a few organizations account for most of the resources, in order to compete with those established organizations by offering quality or efficiency advantages. The capacity building focus that we observed tends to be employed by younger organizations in less competitive markets. While the individual expression signal appears to indicate an entry point for socially entrepreneurial organizations, the capacity building focus image appears to be the other common approach by young organizations. New organizations may focus on building capacity, including higher administrative expenses, in particular on things like employees and information technology, perhaps as a demonstration of their interest in being perceived as legitimate within the environment (or indeed just a reflection of the reality that new organizations lack, and therefore need to build, capacity).

Our findings suggest something of a chronological approach to sending sensegiving cues, perhaps moderated by the nature of the competitive environment. In our sample, young organizations tended to be found in less competitive environments suggesting that social entrepreneurs see openings in either creating new markets that may have been underserved or by taking on dominant players by attempting to offer something different. In the for-profit literature, we typically find that companies respond to pressure either via a price/efficiency or quality strategy, typically with older firms offering higher quality (or perceived quality) and newer firms taking advantage of the size to offer lower prices. Nonprofits may present themselves differently. This may be because the ability to actually demonstrate either their

Table 3. Competition Measured via Organization Density

	Ratio Management	Individual Expression	Professionalism	Capacity Building
Age	0.140*** (0.017)	-0.050*** (0.012)	0.117*** (0.008)	-0.038** (0.015)
Competition— Organizations by Category per 1,000 in Population	0.049 (0.180)	-0.170 (0.145)	0.126 (0.097)	-0.134 (0.155)
Functional Expenses (logged)	-0.141*** (0.009)	-0.035*** (0.007)	0.264*** (0.005)	-0.348*** (0.012)
Total Size (logged employees)	0.172*** (0.007)	-0.206*** (0.005)	0.108*** (0.004)	0.135*** (0.006)
Metro Gini Coefficient	0.296 (0.506)	0.861** (0.382)	-0.465 (0.268)	0.529 (0.577)
Metro Population (logged)	-0.001 (0.012)	0.004 (0.008)	0.007 (0.006)	0.006 (0.014)
Metro Prop Without High School Dip.	-0.009** (0.004)	0.011*** (0.003)	-0.006*** (0.002)	0.003 (0.004)
Metro Median Household Income	0.001 (0.001)	0.001 (0.001)	-0.001 (0.001)	0.001 (0.001)

Notes: United States regional dummy variable results not shown. All models run with fixed effects for organization and year. *p< .10; **p< .05; ***p< .01

value or quality is a challenge and newer nonprofits need to build capacity, thus making it difficult to symbolically signal efficiency in the way a more established organization can. In contrast, a new nonprofit may believe it is important to demonstrate an effort to build capacity early on to build legitimacy with their stakeholders, in particular, with donors.

As organizations age, those that survive seem to find themselves in one of two environments in our sample. Concentrated environments where they are one of the dominant players, or competitive environments where competitive pressures may push them towards sending certain symbolic images of either perceived efficiency (via program expense ratios) or professionalism. The latter trend towards professionalism and more market-oriented behavior has been noted in previous literature (Eikenberry & Kluver, 2004), while the pressure to manage expense ratios has been noted across the organizational life cycle (Eckerd, 2015). Nevertheless, the age of an organization seems to more consistently affect sensegiving approaches than competition in our sample, and we can infer two relatively distinct organizational life cycle sensegiving trends. First is an organization that enters a concentrated field, attempting to invest in internal capacity, perhaps to ramp up their ability to challenge a dominant player, or to demonstrate legitimacy to donors. As time goes on, that new entrant fosters a more competitive market (by effectively challenging the dominant player), which spurs the organizations in the environment to send signals highlighting their efficiency and good financial stewardship. Second is an organization that creates a distinct niche, attempting to represent the values of a set of donors whose values may not be represented, effectively opening up a new market for its services. As this organization ages, it retains some level of dominance in its market, building capacity and professionalizing over time.

Examples and Limitations

To illustrate how this may work, we identified a couple of examples of organizations that fit the profiles that we discussed above. Give Directly¹ is an example of the first type of organization noted above. In 2011, Give Directly entered into the crowded international development and microfinance market, competing with well-established organizations like Children International, Cooperative Assistance and Relief Everywhere (CARE), International

Table 4. All Competition Variables Included

	Ratio Management	Individual Expression	Professionalism	Capacity Building
Age	0.136*** (0.017)	-0.050*** (0.012)	0.117*** (0.008)	-0.039** (0.015)
Competition— Contributions	0.226** (0.082)	-0.233*** (0.062)	0.126*** (0.042)	-0.164** (0.072)
Competition—Gross Receipts	-0.052 (0.073)	0.035 (0.047)	-0.121*** (0.036)	-0.043 (0.064)
Competition— Organizations by Category per 1,000 in Population	-0.015 (0.182)	-0.101 (0.146)	0.127 (0.095)	-0.043 (0.065)
Functional Expenses (logged)	-0.141*** (0.009)	-0.036*** (0.007)	0.259*** (0.006)	-0.350*** (0.013)
Total Size (logged employees)	0.172*** (0.007)	-0.206*** (0.005)	0.110*** (0.004)	0.136*** (0.006)
Metro Gini Coefficient	0.354 (0.505)	0.789** (0.380)	-0.453* (0.264)	0.434 (0.576)
Metro Population (logged)	-0.011 (0.013)	0.016* (0.010)	0.010 (0.007)	0.021 (0.015)
Metro Prop Without High School Dip.	-0.010** (0.004)	0.011*** (0.003)	-0.007*** (0.002)	0.003 (0.004)
Metro Median Household Income	0.001 (0.001)	0.001 (0.001)	-0.001 (0.001)	0.001 (0.001)

Notes: United States regional dummy variable results not shown. All models run with fixed effects for organization and year. *p< .10; **p< .05; ***p< .01

Rescue Committee, Heifer International and MAP International. Give Directly entered this crowded market with a new conceit that differed from the standard way of providing international aid, and an ethos intended to appeal to a certain subset of donors and philanthropists. Standard practice in international development had theretofore been to provide aid indirectly to needy families in other countries, either via established governmental or community networks that would distribute needed items, or via giving material goods directly. For example, Heifer International historically worked with governments and communities providing access to agricultural support for subsistence farmers, initially providing livestock as an investment, and subsequently working to create a community of agricultural development.

Give Directly challenged this indirect model by providing money directly to people in need. Its sensegiving approach was predicated on appealing to a certain type of potential donor, combining aspects of the professionalism and individual expression sensegiving signals. Illustrative of professionalism, Give Directly situated itself as being professionally managed, and perhaps most importantly, evidence-based in its assessment of its work. Since its founding, it has used professional evaluation methods such as randomized trials to assess the effectiveness of its programs, reporting the results of these assessments prominent on its website and in relevant media. This professionalism approach carries through to the core of the organization's messaging which is intended to convey an implicit (or at times explicit) critique of previous models of providing aid as paternalistic. Give Directly appeals to donors who want to provide support for poverty internationally, but with minimal overhead and with an inherent trust in the recipients to determine how to spend the money. In its communications materials, Give Directly often mentions its low overhead, its rigorous approach to evaluation and assessment, and its partnerships with prominent corporate and philanthropic funders. It is not an international development organization that will tug at one's heart strings, like several of the others noted above. It is the evidence-based,

rationalistic, and corporate minded international development nonprofit. And this approach has been successful, with the organization going from revenues of about \$17 million in 2014, to about \$70 million in 2018, to over \$270 million in 2021, making it larger than Heifer International² which was founded in 1944.

In contrast to the crowded field that Give Directly entered into, B Lab³ created a new market in which it remains the only entrant. Whereas Give Directly has framed itself as doing something in a different way, B Lab frames itself as a movement that is doing something completely different. B Lab offers an independent certification program for for-profit companies that have a social mission beyond profit. Companies can opt in for the certification and undergo a process that identifies how their internal systems and practices support the social mission. While B Lab is not the first certification organization, it is perhaps the most comprehensive. Other certification organizations, like the International Organization for Standardization which provides the ISO 14001 certification for environmental management, have more narrow certification programs while B Lab considers all aspects of a company's operations to ensure that the social mission is germane to the business' day-to-day processes. B Lab's sensegiving approach is based on representation, arguing that it is heading a movement to make the capitalist economy more inclusive and supportive of social missions. B Lab actually says rather little about the organization itself, focusing instead on conveying a sense to consumers that they should feel good doing business with the companies that B Lab certifies. Similar to Give Directly, B Lab situates itself as operating with professional business practices but speaks less about its own operations than about the practices of its certification holders. In a way, B Lab is tugging on the heart strings, but doing so from a position of professionalism.

Although these are obviously just two examples, we believe our results illustrate the importance of considering the nature of the competition in the market in which a nonprofit organization resides. Although we only infer these trends, they provide a helpful illustration of what nonprofit competition looks like and how organizations respond. We do note this as a limitation of our study: with a large-scale quantitative approach, we do not actually observe nonprofits responding to competition. We can only infer their sensegiving approaches, and while we believe these to be well derived from theory and previous literature, they may not be completely indicative of the images that nonprofits actually send. We also note that nonprofits likely do not survey their competitive landscapes quite as explicitly as we do here, particularly given their cognitive dissonance with respect to competition (Curley et al., 2021). While organizations may have an intuitive understanding of their environment, they surely consider many other pieces of information when choosing what signals they send.

We also note some limitations of the data and approach that we used in this study. While the NCCS and IRS data are very commonly used in nonprofit scholarship, there are several notable problems with the data. We noted several above, so our results should be understood to be more reflective of more mature organizations. We also do not capture very new organizations at all, and likely also miss important competitors in many of these local environments by not having access to full data about religious organizations (which may well operate in many of these different environments). Lastly, we note that competitive environments can be defined via other means than NTEE classification. While we believe that the NTEE classification is likely a good proxy for how the general public intuitively classifies organizations, it may not be the most reflective of what nonprofits actually do. In terms of future research, there is clearly an opening here for more research on both sensegiving approaches that organizations use and how competition affects the choice of signals to send. We were not able to identify any publicly available information that would enable us to observe these sensegiving strategies more directly, which we take as an opportunity to suggest qualitative or small-N observational studies that can help us understand both the sensegiving strategies themselves as well as the rationales that organizational leaders used to determine which approach(es) to use.

Conclusion

Nonprofits operate in competitive environments, and the manner of competition that they face and their standing within that environment affects the signals that they choose to send to their stakeholders. Although this point seems evident, it has been underdeveloped in studies of nonprofit organizations, likely owing to the difficulty in characterizing and assessing how nonprofits signal images to their stakeholders. In this work, we argue that competition can be conceived as the extent to which contributed resources and functional expenses are more or less concentrated within a geographically defined area of service. By doing so, we observed different sensegiving approaches and the ways that an organization's lifecycle and competitive environment shape the way they communicate who they are.

Notes

1. All information for Give Directly was obtained from their website <https://www.givedirectly.org/>. In this paper, the answers to the questions are based only on our case studies; other studies may answer the questions in different and yet useful ways.
2. <https://www.heifer.org/about-us/inside-heifer/financial-information.html>
3. All information for B Lab was obtained from their website <https://www.bcorporation.net/en-us> or their Guidestar profile.

Disclosure Statement

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Appendix. Data and Method Elaboration

Data Setup

As noted in the main body of the paper, we utilized the NCCS Core dataset. We first limited our data to the 2008–2012 timeframe to account for changes in the way that NCCS collected data after 2012; some of what we believed to be key variables were consistently available during this time frame but not in other years. Since the NCCS data are derived primarily from IRS Form 990 data, our data for each year-organization observation relate to the tax year for a particular organization. As noted, we define competitive environments as located within CBSAs, and after matching organizations with census data, we dropped any organizations that were not located in the defined CBSAs. We then defined our markets at this point, and calculated our competition measures, specifically the HHI measures.

We adopted the measure to look at the relative distribution of resources controlled by each firm. Specifically, we construct our measure as:

$$HHI_{cg} = \sum_{i=1}^I p_{cgi}^2, \text{ where}$$

$$p_{cgi} = \frac{R_{cgi}}{R_{cg}}$$

where c indexes individual CBSAs, g indexes the NTEE groups, and i indexes the individual nonprofit organizations. R is a variable measuring financial resources, so the proportion P captures the proportion of the total resources (within a CBSA and NTEE group) controlled by each individual organization. This measure of concentration is bounded by 0, representing a complete absence of competition (i.e., there is only one nonprofit organization providing services in this environment) to 1 (or rather $1-1/n$), representing an even distribution of resources among numerous organizations. Here, drawing on the data available in the NCCS dataset, we create two HHIs drawing on two measures of financial resources: total contributions and gross annual receipts.¹ These two HHIs, along with the measure of organizations per capita, comprise our key competition variables.

If we were missing key data for any organization for any year in the data, we dropped all observations of that organization from further analysis; we retained these observations to calculate our HHI measures in order to ensure that these measures were as accurate as possible, but opted to remove these observations from our final analysis in order to ensure consistency across the panel. We recognized the potential for more nationally-oriented organizations to skew what the competitive environment looked like at a more local level, but opted to retain these organizations within their respective CBSAs because there was really no way to discern how each organization defined their service areas, and we believed it was a safer assumption that these large organizations do have an influence on the local market than that they do not. We assumed that any affiliates of larger national organizations could effectively be treated as competitors with local organizations within their competitive environment.

Variables

A limitation of the NCCS dataset is that inclusion of variables has more to do with tax filing purposes than with research. The trade-off is a large and comprehensive dataset that allows for as robust a measurement of competitive environments as possible. The data do create limitations for more fully observing sensegiving approaches that organizations use. We are limited to variables that have something to do with financial reporting. Our choice of what variables to include in our analysis of sensegiving approaches was to use the most relevant

previous study of sensemaking (Levine Daniel & Eckerd, 2019) and metrics that are tracked by one of the major nonprofit watchdog groups, (i.e., Charity Navigator, the Better Business Bureau, Charity Watch) as likely representing metrics that would be familiar to the general public and therefore offer nonprofits an opportunity to engage in sensegiving.

In Table A1, we include summary statistics for all variables used in the analysis. In Table A2, we provide summary statistic for the key variables used in the factor analysis and final analysis broken down by 26 major NTEE codes.

Table A1. Summary Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
<i>Factor Analysis Variables</i>				
Program ratio	0.82	0.16	0	1
Fundraising ratio	0.03	0.07	0	1
Administrative ratio	0.15	0.14	0	1
Assets (logged)	17.17	2.21	0	25.01
Use of an auditor	0.86	0.35	0	1
Whistleblower policy	0.78	0.42	0	1
Document retention policy	0.79	0.41	0	1
Conflict of interest policy	0.90	0.30	0	1
Proportion of revenue from public support	0.33	0.37	0	1
Proportion of revenue from program fees	0.54	0.41	0	1
Proportions of program expenses on:				
Officer compensation	0.03	0.12	0	1
Contractor compensation	0.02	0.01	0	1
Employee salaries	0.29	0.22	0	1
Employee pensions/retirement	0.02	0.10	0	1
Employee benefits	0.05	0.11	0	1
Advertising	0.02	0.11	0	1
Information technology	0.02	0.10	0	1
Affiliates	0.02	0.11	0	1
Other expenses	0.15	0.21	0	1
<i>Factor scores (dependent variables)</i>				
Ratio management	-0.58	0.17	-1.06	0.51
Individual expression	1.64	0.34	0.85	2.64
Professionalism	7.42	0.86	2.81	9.96
Capacity building	-1.35	0.13	-1.68	0.26
<i>Independent variables</i>				
Age (logged)	3.82	0.70	2.08	5.93
Organization density (organizations per 1000 in population)	0.18	0.12	0.01	0.88
HHI – contributions	0.86	0.16	0	1
HHI – gross receipts	0.83	0.21	0	0.99
Functional expenses (logged)	16.13	2.24	0.69	24.40
Total employees (logged)	4.10	2.79	0	11.15
Metro population (logged)	14.50	1.52	11.00	16.76
Metro Gini coefficient	0.46	0.03	0.36	0.55
Metro pct without high school dip.	12.24	3.12	3.20	34.30
Metro median HH income	56,175	8,994	28,293	88,444
Arts, Culture & Humanities	0.07	0.26	0	1
Educational	0.23	0.42	0	1
Environmental Quality Protection, Beautification	0.02	0.12	0	1

Animal Related	0.01	0.10	0	1
Health-General & Rehabilitative	0.25	0.43	0	1
Mental Health, Crisis Intervention	0.03	0.16	0	1
Disease, Disorders, Medical Disciplines	0.01	0.10	0	1
Medical Research	0.01	0.10	0	1
Crime, Legal Related	0.01	0.08	0	1
Employment, Job Related	0.01	0.10	0	1
Agriculture, Food, Nutrition	0.01	0.06	0	1
Housing, Shelter	0.06	0.24	0	1
Public Safety, Disaster Preparedness and Relief	0.01	0.08	0	1
Recreation, Sports, Leisure, Athletics	0.02	0.12	0	1
Youth Development	0.01	0.09	0	1
Human Services	0.14	0.34	0	1
International, Foreign Affairs, and National Security	0.02	0.13	0	1
Civil Rights, Social Action, Advocacy	0.01	0.05	0	1
Community Improvement, Capacity Building	0.02	0.15	0	1
Philanthropy, Volunteerism, and Grantmaking	0.05	0.22	0	1
Science and Technology Research Institutes	0.01	0.09	0	1
Social Science Research Institutes	0.01	0.04	0	1
Public, Society Benefit	0.01	0.08	0	1
Religion, Spiritual Development	0.02	0.13	0	1
Mutual/Membership Benefit	0.01	0.07	0	1
Region – New England	0.13	0.34	0	1
Region – Mid Atlantic	0.33	0.47	0	1
Region – Great Lakes	0.10	0.30	0	1
Region – Great Plains	0.10	0.30	0	1
Region – Atlantic South	0.15	0.36	0	1
Region – South Central	0.06	0.24	0	1
Region – Deep South	0.03	0.17	0	1
Region – Mountain West	0.04	0.20	0	1
Region – West Coast	0.05	0.22	0	1
N = 28,694				

Table A2. Summary Statistics by Organization Category

	Ratio Management	Capacity Building	Individual Expression	Prof.	Orgs/ 1,000	HHI Cont.	HHI Recpt	Age	Total Workers	Total Revenue
Arts, Culture & Humanities (N=2,021)	0.22	0.21	0.45	-0.26	0.13	0.90	0.87	61	451	17M
Educational (N=6,526)	0.18	-0.16	-0.19	0.15	0.17	0.81	0.77	80	1,200	71M
Environmental Quality Protection, Beautification (431)	-0.26	0.20	0.89	-0.30	0.06	0.82	0.80	47	1,000	12M
Animal Related (N=282)	0.03	0.41	0.42	-0.20	0.04	0.80	0.79	65	650	18M
Health-General & Rehabilitative (N=7,190)	0.22	-0.15	-0.57	0.47	0.13	0.86	0.79	56	2,500	223M
Mental Health, Crisis Intervention (N=764)	-0.09	0.20	-0.04	-0.07	0.14	0.86	0.82	51	500	29M
Disease, Disorders, Medical Disciplines (N=293)	-0.12	0.40	0.41	-0.34	0.13	0.91	0.88	39	10K	26M
Medical Research (N=305)	-0.33	-0.27	0.88	-0.05	0.14	0.89	0.88	39	418	45M
Crime, Legal Related (N=160)	-0.22	0.49	0.78	-0.45	0.33	0.95	0.96	49	463	13M
Employment, Job Related (N=280)	-0.01	0.34	-0.12	-0.03	0.37	0.93	0.94	57	1,100	25M
Agriculture, Food, Nutrition (N=100)	-0.80	0.73	0.85	-0.41	0.34	0.92	0.95	32	5,600	18M
Housing, Shelter (N=1,684)	-0.56	0.01	0.31	-0.73	0.35	0.94	0.95	30	230	8M
Public Safety, Disaster Preparedness and Relief (N=191)	-0.66	0.50	0.83	-1.3	0.35	0.90	0.93	56	1500	4M

Recreation, Sports, Leisure, Athletics (N=430)	−0.11	0.60	0.10	−0.85	0.33	0.93	0.94	46	644	11M
Youth Development (N=256)	−0.05	0.45	0.46	−0.40	0.32	0.91	0.92	55	2,400	8M
Human Services (N=3,862)	0.01	0.20	−0.16	−0.02	0.34	0.93	0.95	59	1,050	19M
International, Foreign Affairs, and National Security (N=483)	−0.40	−0.09	0.90	−0.01	0.04	0.73	0.74	46	4,800	96M
Civil Rights, Social Action, Advocacy (N=61)	−0.55	0.65	1.40	−0.70	0.12	0.92	0.89	35	104	10M
Community Improvement, Capacity Building (N=687)	−0.41	0.15	0.75	−0.59	0.12	0.83	0.80	33	418	16M
Philanthropy, Volunteerism, and Grantmaking (N=1,413)	−0.64	−0.22	1.10	−0.18	0.11	0.80	0.78	45	1,200	33M
Science and Technology Research Institutes (N=228)	−0.08	−0.22	0.34	0.16	0.12	0.81	0.71	52	1,500	110M
Social Science Research Institutes (N=46)	0.12	−0.16	0.90	−0.24	0.14	0.82	0.71	79	181	18M
Public, Society Benefit (N=187)	−0.44	−0.26	0.35	0.32	0.12	0.84	0.80	34	372	71M
Religion, Spiritual Development (N=493)	−0.19	0.36	0.77	−1.00	0.07	0.86	0.83	38	326	8M
Mutual/Membership Benefit (N=126)	−0.68	−0.40	0.40	−0.56	0.01	0.49	0.38	56	95	28M

Factor Analysis

We conducted an exploratory factor analysis. Principle components factor analysis (varimax rotation, orthogonal solution) was used to extract core factor scores, uncorrelated linear combinations of the weighted observed variables using Stata ($\chi^2=655.29$, $p<0.01$).

Four factors are extracted with eigenvalues greater than 1 as described in the body of the paper.

Table A3. Extracted Factors and Factor Loadings

Variable	Factor 1: Capacity Building	Factor 2: Professionalism	Factor 3: Individual Expression	Factor 4: Ratio Management
<i>Eigenvalue</i>	7.24	2.97	1.84	1.21
<i>Variables:</i>		<i>Factor loadings</i>		
Program ratio	-0.68			0.69
Fundraising ratio			0.60	
Administrative ratio	0.63			-0.70
Assets (logged)		0.55		
Use of an auditor		0.33		
Whistleblower policy		0.62	0.44	
Document retention policy		0.55	0.41	
Conflict of interest policy		0.54	0.41	
Proportion of revenue from public support		-0.59	0.59	
Proportion of revenue from program fees		0.64	-0.53	
Proportions of program expenses on:				
Officer compensation	0.86			
Contractor compensation	0.91			
Employee salaries	0.35	0.48		
Employee pensions/retirement	0.97			
Employee benefits	0.93			
Advertising	0.96			
Information technology	0.97			
Affiliates	0.87			
Other expenses	0.39			

Modeling Strategy and Interpretation

Owing to the complexity of our final data structure, a panel set up with multiple, potentially interdependent dependent variables, we utilized a modeling approach that had to account for these complexities. As noted in the main body, after testing our data structure to determine the appropriate technique, our final approach was to utilize a fixed-effect, seemingly unrelated system of regression equations. The procedure we followed is that prescribed by Blackwell (2005). To ease interpretation of the coefficients, we standardized all factor scores for the final models, however interpretation remains challenging as the models are a system of equations, predicting coefficients on factor scores that are already difficult to interpret. For example, if we interpret two of the coefficients on competition as measured by contributions in Table 1, a coefficient of 0.195 on the ratio management approach can be interpreted as a move from 0–1 on the HHI on the spread of contributions in the market (i.e., moving from a perfectly competitive to a perfectly monopolistic environment) increases the utilization of the ratio management approach by about 0.2 standard deviations. A similar increase in the HHI is associated with about a 0.2 standard deviation decrease (-0.218 precisely) in use of the donor expression approach.

Note

1. We considered other financial measures here as well, including assets, expenses, etc. Each of these approaches were highly correlated with one another and demonstrated substantively equivalent final results.