



Photo by Sara Cottle on Unsplash

# JPNA

Fall 2024  
Volume 10 Issue 2

## JOURNAL OF PUBLIC AND NONPROFIT AFFAIRS

### Research Articles

"Round Peg in a Square Hole": Lessons from Community Health Promotion Practice on Dynamics of Accountability, Reporting and Evaluation, and Governance

*Julia Fursova, Gillian Kranias*

Understanding Nonprofit Financial Health: Exploring the Effects of Economic Recession and Environmental Factors (2007-2012)

*Sung-eun Kim, Young Joo Park, Jeongyoon Lee*

Examining Nonprofit Financial Condition and Resiliency Strategies in Response to COVID-19

*Trang Hoang, Craig S. Maher, Richard Nkrumah*

Commitment to Place as Motivation for Citizen-Based Watershed Collaboration: "BIMBY" Effect

*Sindhu Weber, John C. Morris, Kelly A. Krawczyk, Luisa Diaz-Kope*

The Power of Homeownership: The Case for Iowa Heartland Habitat for Humanity

*Esha Jayswal, Joseph Ugrin, Disa Cornish, Brent Buhr MD, Ali Parrish*

### New Voices

Public Budgeting Best Practices for Cross-sector Collaborations: Emphasizing the Values of Social Equity, Transparency and Accountability, and Ethics

*Michael E. M. Lee*

### Social Equity

Is Governance Aligned with Rhetoric? Exploring the Board Composition of Leading Transnational NGOs

*George E. Mitchell, Peter H. Nerothin, Megan Burns Pontes, Hans Peter Schmitz, Caroline N. Walsh*

# JPNA

JOURNAL OF PUBLIC AND NONPROFIT AFFAIRS

*a journal of the Midwest Public Affairs Conference*

## **Editors-in-Chief**

Christopher Prentice, University of North Carolina Wilmington  
&  
Richard Clerkin, University of North Carolina Wilmington

## **Social Equity Section Editor**

Kirsten Kinzer, University of North Carolina Wilmington

## **Editorial Board**

Lehn M. Benjamin, Indiana University-Purdue University Indianapolis  
Frances Berry, Florida State University  
Julia L. Carboni, Washington State University  
Jason Coupet, Georgia State University  
Femida Handy, University of Pennsylvania  
Marcus Lam, University of San Diego  
Jesse Lecy, Arizona State University  
Dyana Mason, University of Oregon  
Donald Moynihan, Georgetown University  
Rebecca Nesbit, University of Georgia  
Laurie Paarlberg, Indiana University-Purdue University Indianapolis  
Charles (Chip) Taylor, Ball State University  
Stefan Toepler, George Mason University  
Wenli Yan, Virginia Commonwealth University

## **Editorial Office**

601 S. College Rd.  
Wilmington, NC 28403  
[www.jpna.org](http://www.jpna.org)

## **Statement of Purpose**

The *Journal of Public and Nonprofit Affairs (JPNA)* focuses on providing a connection between the practice and research of public affairs. This is accomplished with scholarly research, practical applications of the research, and no fees for publishing or journal access. *JPNA* publishes research from diverse theoretical, methodological, and disciplinary backgrounds that address topics related to the affairs and management of public and nonprofit organizations.

**ISSN: 2381-3717**

# J P N A

JOURNAL OF PUBLIC AND NONPROFIT AFFAIRS

*a journal of the Midwest Public Affairs Conference*

**Fall 2024**

**Volume 10, Issue 2**

Editor's Note

*Christopher R. Prentice and Richard M. Clerkin. . . . . 147*

**Research Articles**

"Round Peg in a Square Hole": Lessons from Community Health Promotion Practice on Dynamics of Accountability, Reporting and Evaluation, and Governance  
*Julia Fursova and Gillian Kranias . . . . . 150-175*

Understanding Nonprofit Financial Health: Exploring the Effects of Economic Recession and Environmental Factors (2007-2012)  
*Sung-eun Kim, Young Joo Park, and Jeongyoon Lee . . . . . 176-197*

Examining Nonprofit Financial Condition and Resiliency Strategies in Response to COVID-19  
*Trang Hoang, Craig S. Maher, and Richard Nkrumah . . . . . 198-220*

Commitment to Place as Motivation for Citizen-Based Watershed Collaboration: BIMBY Effect  
*Sindhu Weber, John C. Morris, Kelly A. Krawczyk, and Luisa Diaz-Kope . . . 221-238*

The Power of Homeownership: The Case for Iowa Heartland Habitat for Humanity  
*Esha Jayswal, Joseph Ugrin, Disa Cornish, Brent Buhr MD, and Ali Parrish. . . . . 239-250*

**New Voices**

Public Budgeting Best Practices for Cross-sector Collaborations: Emphasizing the Values of Social Equity, Transparency and Accountability, and Ethics  
*Michael E. M. Lee . . . . . 251-272*

**Social Equity**

Is Governance Aligned with Rhetoric? Exploring the Board Composition of Leading Transnational NGOs  
*George E. Mitchell, Peter H. Nerothin, Megan BurnsPontes, Hans Peter Schmitz, and Caroline N. Walsh. . . . . 273-293*





## **Editor's Introduction**

*Christopher R. Prentice – University of North Carolina Wilmington*

*Richard M. Clerkin – University of North Carolina Wilmington*

This new issue of *Journal of Public and Nonprofit Affairs* offers six research articles and one new voices article covering a variety of relevant and timely topics. Those articles are introduced below, starting with Lee's (2024) new voices article.

Cross-sector collaboration has gained prominence as governments, private corporations, and nonprofit organizations work to address complex challenges. Lee (2024) discusses the gap in the public administration literature regarding cross-sector collaboration in addressing social and financial issues and the need for enhancing public budgeting practices through cross-sector collaboration in equity, transparency and accountability, and ethics. He concludes by discussing how each sector can use collaborative governance theory to increase public trust and place a greater emphasis on inclusivity in the budgeting process.

Gaps between community service demands and available resources for nonprofits widen during economic recessions, often compelling financially vulnerable nonprofits to reduce their services or activities. Kim et al. (2024) uses a longitudinal analysis to assess the relationship between environmental factors, nonprofits' financial health, and the role of the Great Recession of 2008 on their relationship. Their findings indicate that nonprofits' financial health and resilience are influenced by county-level environmental factors such as service demand and available resources, with the impact of economic recessions being particularly severe in vulnerable communities.

In addition to individual predisposition and lifestyle choices, a person's health is shaped by several modifiable factors known as the social determinants of health (SDH). Community Health Centers (CHCs) attempt to influence these social determinants at community and population levels. Fursova and Kranias (2024) analyze the reporting requirements and evaluation practices in two urban CHCs to analyze their relationships between accountability, reporting, evaluation, and governance. Their results indicate imbalances between funder-oriented functional accountability and goals of obtaining social justice and health equity. They conclude by presenting a holistic accountability framework to foster equitable power dynamics, enhance participatory evaluation, and align CHC governance and knowledge production with health promotion objectives.

Transnational NGOs (TNGOs) assert that they represent and advocate for diverse communities, yet the composition and practices of their governing boards may not reflect their commitments to inclusive governance. Mitchell et al. (2024) investigate the gap between rhetoric and practice through evaluating the composition of the boards of leading TNGOs in the United States, identifying inclusive and traditional board types. Their findings show associations between inclusive board types and commitments to diversity, equity, and inclusion, and no association between these commitments and traditional board types. They

conclude by presenting recommendations for additional research to support reforms of TNGO governance.

Homeownership is a cornerstone of financial stability, offering families a sense of security and long-term investment potential. Jayswal et al. (2024) investigate how financially assisted homeownership influences life satisfaction among Iowa Heartland Habitat for Humanity home recipients. They develop and evaluate a holistic model using homeownership as the independent variable, assessing direct impacts on life satisfaction and incorporating its impact through mediating variables such as financial well-being, current health, and psychological well-being. Their findings reveal a relationship between life satisfaction and homeownership through Iowa Heartland Habitat for Humanity, amplified by the mediating variables.

Communities often turn to nonprofits for assistance during a crisis due to their vital role in the provision of services; however, these organizations often face funding challenges during periods of uncertainty. Hoang et al. (2024) analyze nonprofit response tactics during the COVID-19 pandemic using a sample of medium- and small-sized nonprofits in the Midwest. Their results indicate that nonprofits' response tactics are often influenced by their financial position, with nonprofits possessing greater financial capacity more likely to adopt strategic response tactics. They conclude by emphasizing the importance of understanding the link between nonprofit financial health and their response strategies.

As citizen-based collaboration gains traction in addressing environmental issues, limited attention has been given to the underlying motivations driving citizen participation. Weber et al. (2024) examine case studies of citizen-based environmental collaborations to explore what motivates citizens to participate in these partnerships. Their findings reveal that a strong sense of place plays a fundamental role in driving participation. They introduce the concept of "BIMBY" (Because it's My Backyard) to highlight the place-based motivations behind citizens' involvement in ecosystem restoration within their communities. They conclude by discussing the importance of incorporating value-based motivations into stakeholder analyses to enhance collaboration outcomes.

## References

- Fursova, J. & Kranias, G. (2024). "Round Peg in a Square Hole": Lessons from Community Health Promotion Practice on Dynamics of Accountability, Reporting and Evaluation, and Governance. *Journal of Public and Nonprofit Affairs*, 10(2), 150-175. <https://doi.org/10.20899/jpna.wzqz7m46>
- Hoang, T., Maher, C. S., & Nkrumah, R.. (2024). Examining Nonprofit Financial Condition and Resiliency Strategies in Response to COVID-19. *Journal of Public and Nonprofit Affairs*, 10(2), 198-220. <https://doi.org/10.20899/jpna.7889q448>
- Jayswal, E., Ugrin, J., Cornish, D., Buhr, B., & Parrish, A. (2024). The Power of Homeownership: The Case for Iowa Heartland Habitat for Humanity. *Journal of Public and Nonprofit Affairs*, 10(2), 239-250. <https://doi.org/10.20899/jpna.m76e3382>
- Kim, S., Park, Y.J., & Lee, J. (2024). Understanding Nonprofit Financial Health: Exploring the Effects of Economic Recession and Environmental Factors (2007–2012). *Journal of Public and Nonprofit Affairs*, 10(2), 176-197. <https://doi.org/10.20899/jpna.zkcvkj61>
- Lee, M. E. M (2024). Public Budgeting Best Practices for Cross-sector Collaborations: Emphasizing the Values of Social Equity, Transparency and Accountability, and Ethics. *Journal of Public and Nonprofit Affairs*, 10(2), 251-272. <https://doi.org/10.20899/jpna.243ptf12>
- Mitchell, G. E., Nerothin, P. H., Pontes, M. B., Schmitz, H. P., & Walsh, C. N. (2024). Is Governance Aligned with Rhetoric? Exploring the Board Composition of Leading

Transnational NGOs. *Journal of Public and Nonprofit Affairs*, 10(2), 273-293.

<https://doi.org/10.20899/jpna.3ygfac21>

Weber, S., Morris, J. C., Krawczyk, K. A., & Diaz-Kope, L. (2024). Commitment to Place as Motivation for Citizen-Based Watershed Collaboration: BIMBY Effect. *Journal of Public and Nonprofit Affairs*, 10(2), 221-238.

<https://doi.org/10.20899/jpna.qvhqm939>

### **Acknowledgement**

We thank UNCW MPA Graduate Assistant, Kelsey Ellis, for her assistance with the article summaries in this note.

---

## *Journal of Public and Nonprofit Affairs*

Vol. 10, No. 2

---

# **“Round Peg in a Square Hole”: Lessons from Community Health Promotion Practice on Dynamics of Accountability, Reporting and Evaluation, and Governance**

Dr. Julia Fursova - *University of New Brunswick*  
Gillian Kranias - *Transform Practice Cooperative*

This paper presents results from a small-scale institutional ethnography study of reporting requirements and evaluation practices in two urban community health centers (CHCs), as a sample of community-based nonprofit organizations that focus on social justice and health equity. The study illuminated complex relationships among accountability, reporting and evaluation, and governance. Among the CHCs, reporting and evaluation practices consistent with goals of obtaining social justice and health equity were undermined by an imbalance toward funder-oriented functional accountability. Analysis of accountability and reporting practices as systemic factors shaping knowledge production, decision-making, and action revealed notable consequences for CHCs' health promotion practice. This paper proposes a wholistic accountability model to encourage equitable power relations in evaluation, enable participatory methods, and better align CHC knowledge production and governance systems with their health promotion goals. This study further adds to the growing literature supporting critical attention to nonprofit accountability in the context of systems change work.

Keywords: accountability; evaluation; community health; governance; systems change.

### **Introduction**

This paper illustrates the complex relationships among accountability, reporting and evaluation, and governance in a sample of community-based nonprofit organizations, which share an explicit focus on social justice and health equity. While seemingly devoid of action-based components directly related to organizational goals, reporting and evaluation are important sites of knowledge production, connected to and influenced by accountability systems that can inform influence decision-making and governance concerning an organization's shared vision, shared understandings, strategic directions, resource allocations, and program and service delivery approaches. The authors' experiences as health promotion practitioners within the Ontario system of community health centers provided the context and impetus for the inception of this research. We are thankful for the many practice-informed insights gained through critical

Fursova, J. & Kranias, G. (2024). “Round Peg in a Square Hole”: Lessons from Community Health Promotion Practice on Dynamics of Accountability, Reporting and Evaluation, and Governance. *Journal of Public and Nonprofit Affairs*, 10(2), 150-171. <https://doi.org/10.20899/jpna.wzqz7m46>

practice conversations that took place during formal planning and evaluation processes within organizations, as well as informally with colleagues and community residents.

The study presented here examined reporting and evaluation practices of community health centers (CHCs) in the context of the reporting and accountability requirements of their core funder. Community-based, institutional ethnographic research was conducted in Toronto, in the province of Ontario (Canada) in partnership with the Alliance for Healthier Communities (a nonprofit organization which advocates for and supports CHC work at a provincial level), Health Nexus (a knowledge mobilization and capacity-building nonprofit with a community health promotion hub), and two neighborhood CHCs. The small-scale, institutional ethnography study examined reporting requirements for CHCs as a sample of midsize, community-based nonprofit organizations with shared goals of advancing social justice and health equity. Against this backdrop of reporting requirements, further research examined challenges faced by the health centers' staff and volunteers in the evaluation of CHC health promotion programs and the impact of these challenges for funding, resourcing, and other governance-related decisions. Accountability and reporting were analyzed as important parts of institutional discourse that influences health promotion<sup>1</sup> practice.

Examining accountability and reporting requirements of the core funding agency for CHCs in the province of Ontario, this paper argues that a narrow interpretation of accountability as predominantly funder-driven, “functional accountability” in a hierarchical funder–grantee relationship, undermines the resourcing and practice of evaluation approaches consistent with principles of health promotion—such as participatory decision-making, interdisciplinarity, and responsiveness to complexity (Rootman et al., 2001)—and this in turn has direct implications for decision-making and governance concerning CHC programs and services. Highlighting the limitation of functional accountability in the context of CHCs' health promotion activities and connecting the dots among accountability, reporting and evaluation, and governance, the paper proposes participatory evaluation as a pathway to knowledge production, governance, and accountability systems consistent with key principles of health promotion. With a distinct focus on reporting and evaluation as significant contributors to these system foundations within the sector, this paper adds to the growing body of literature supporting nonprofit accountability in the context of systems change work for social justice and health equity.

### **Context: Role and Scope of the Community Health Centers**

As the COVID-19 pandemic demonstrated, illness is not a simple equation of individual predispositions plus lifestyle; it also results from modifiable “upstream” factors<sup>2</sup> that create conditions for ill health and the spread of disease and/or mount barriers to clinical care access. Among these modifiable factors 40% include social and economic factors, 10% include physical environment and 20% account for clinical care, whereas health behaviors account for 30% (Bipartisan Policy Centre, 2012; Remington, Catlin & Gennuso, 2015). Combined, these factors are also known as social determinants of health (SDH), i.e., the living and working conditions that shape individual health. The SDH concept accounts for specific mechanisms and pathways by

---

<sup>1</sup>Health promotion is defined as a process of enabling individuals to increase control over and improve their health (WHO, 2022); health promotion reaches beyond health education and communication and includes advocacy for improved social, economic and environmental conditions that impact individual health (ibid., 2022).

<sup>2</sup> The notion of “upstream factors” refers to socially constructed and modifiable factors for ill-health, which are also called “social determinants of health,” such as socio-economic context, policy, environmental factors, and physical and built environments. For more reference, see *Focusing on Upstream Factors* by Alexis Koskan, PhD (2018).



which members of different socio-economic groups experience varying degrees of health and illness (Raphael, 2006; Raphael et al., 2020). Despite Canada's leadership in developing the social determinants of health concept, the country's domestic health policy remains dominated by the biomedical and behavioral models of health (Raphael, 2019).

Among healthcare agencies, community health centers (CHCs) are attempting to influence social determinants at community and population levels. In North America, CHCs have existed for over 50 years; while each CHC is distinct, reflecting the area and communities it serves, all recognize the influence of upstream social determinants of health (Collins, Resendes, & Dunn, 2014). The Canadian Association of Community Health Centres (CACHC) describes five main areas of action for CHCs: provision of customized care; illness prevention; breaking down barriers to health; responding to local needs; and championing health for all (CACHC 2023). The latter area specifically addresses measures aimed at reducing social inequities leading to poorer health outcomes. In the province of Ontario, Canada, a Health Equity Charter, a Model of Health and Wellbeing, and a Model of Wholistic Health and Wellbeing for Indigenous organizations articulate CHC commitments to "mitigating the impact of the many nonmedical determinants of health" and advocating "for healthier public policies that enable people to access a healthy environment and afford other basic necessities of life" (Alliance for Healthier Communities, 2020).

Ontario CHCs are classified as healthcare service agencies and are regulated federally under the jurisdiction of Health Canada and the Canadian Institute for Health Information; and provincially under the Ministry of Health and Long-Term Care (MOHLTC) and Local Health Integration Networks (LHINs). The latter, LHINs, are regional planning, funding, and coordinating bodies for services delivered through hospitals, community support services, long-term care homes, mental health and addiction services, and community health centers (Toronto Central Local Health Integration Network, 2014). LHINs provide core funding for the interdisciplinary clinical and community health services of CHCs across the province. To supplement LHIN funding, CHCs also seek resources from other government bodies and from charitable foundations (e.g., the Ontario Trillium Foundation, local United Way organizations). This additional funding supports community development and capacity building projects, as well as other community-based initiatives addressing social determinants of health. For such projects, CHCs often partner with other nonprofits and grassroots groups who share social justice values and health equity goals.

When reporting to their core funder (the local LHIN), CHCs must categorize such health promotion partnerships and projects as either personal development groups (which target individual knowledge, behavior, and attitudes) or community initiatives (which are broader and complex). Community initiatives are defined as a set of activities aimed at strengthening the capacity of a community to address factors affecting its collective health, through active involvement of community members and grassroots groups in identifying and changing conditions that shape their lives and health prospects (AOHC, 2019). Community initiatives facilitate network development and strengthen grassroots activism toward social justice and health equity. In many respects, they are a distinguishing characteristic of CHCs, as integrated, interdisciplinary, and comprehensive health care organizations with a focus on social justice and health equity (CACHC, 2023). Yet, CHC health promotion efforts to influence social determinants of health through community partnerships and upstream systems change remain nested within the economic, political, and social contexts of particular neighborhood, municipal, provincial, and national systems (Mendly-Zambo et al., 2021).

This paper examines the resulting dynamics when reporting, evaluation, and accountability within CHCs are influenced by overarching discourses of neoliberalization and marketization of

program and service delivery. Informed by health justice (Benfer, 2015) and social determinants of health theories (Brassolotto, Raphael, & Baldeo, 2014) this paper addresses the following questions:

- What institutional discourses and organizational practices enable or impede the application of methods and tools that are consistent with key principles of health promotion?
- What methodological principles in evaluation support equitable power relations?

#### *Neoliberal Restructuring of the Nonprofit Sector and Its Implications for CHC Practice*

Like other public and nonprofit organizations, CHCs were impacted by marketization and austerity measures driven by neoliberal and new public management discourses of the late twentieth and early twenty-first centuries (Albrecht, 1998; Loyd, 2014). Neoliberal restructuring downsized the welfare state and shifted responsibility for the provision of many social services to the nonprofit sector (Wolch, 1990; Phillips, 2003; Fyfe, 2005; Gibson, O'Donnell, & Rideout, 2007; McBride & Whiteside, 2011). This shift, often described in the literature as “off-loading,” was accompanied by changing relations between nonprofits and the state, which become increasingly contract-based (ibid.). Within such contract-based relations, the role of nonprofits constricted toward service delivery with an emphasis on individual effort and responsibility that ignored systemic inequalities. Neoliberal restructuring emphasized efficiency, professional credentialization, and accountability towards funders as unquestionable virtues for nonprofit sector governance.

It is widely noted that marketization, expressed as the pressure to extract more value for money, impacted organizational culture and routine management practices in the nonprofit sector, limiting sector capacity to support vibrant civil society and equitable citizen participation (Brown, 2003; Eikenberry & Kluver, 2004; Phillips & Lvasseur, 2004; Gibson, O'Donnell, & Rideout, 2007; McBride & Whiteside, 2011, Darby, 2016; Rudman et al., 2017; Malenfant, Nicols, & Schwan, 2019). Consequences of the shift toward contract-based relations extend to accountability and reporting practices. For example, results-based, funder-driven accountability measures favor upward-oriented “functional accountability” and stifle innovation (Phillips & Lvasseur, 2004; Gibson, O'Donnell, & Rideout, 2007). Funding is increasingly tied to the demonstration of specific predetermined outcomes structuring how the work of nonprofits is organized and valued (Malenfant, Nicols, & Schwan, 2019). Together, such dynamics have significant downstream implications for organizations and communities where “non-profits fear negative consequences from reporting poor results under regimes of hierarchical accountability” (Phillips & Carlan, 2018, p. 2).

The prevalence of a neoliberal environment affected widespread structural change, weakening, and diminishing health policies addressing social determinants of health (Gore & Kothari, 2012; Raphael & Bryant, 2019). Despite contextual pressures, CHCs continued engaging in community initiatives and other partnerships beyond the health sector. To this day, their efforts offer the greatest potential for reducing health inequities at a community level by addressing upstream social determinants of health (Collins, Resendes, & Dunn, 2014).

#### *Accountability and Governance in the Nonprofit Sector*

Despite its frequent presence in nonprofit sector discussions, theoretical studies of accountability in relation to the nonprofit sector are relatively recent (Ospina, Diaz, & O'Sullivan, 2002; Williams & Taylor, 2013). As a concept, accountability is noted for its complexity and multidimensional nature, especially in the non-profit sector (Cutt & Murray, 2000). Candler and Dumont (2010) illustrate the complexity and ambiguities of the nonprofit accountability environment with a framework that focuses on its multiple stakeholders,

directions, and outputs while emphasizing that “the most intuitive stakeholders are those directly involved in or affected by the organization” and delineating fundamental distinctions between staff, members, clients, and constituents (p. 126).

In its essence, accountability is a relational concept and presumes the existence of two parties where one allocates responsibility and another becomes obligated to report on it (Cutt & Murray, 2000; Williams & Taylor, 2013). In nonprofit contexts, it most frequently references a process within a principal–agent relationship through which the agent is held accountable, against certain predetermined standards, by the principal<sup>3</sup> (Baez Camargo & Jacobs, 2013). This usage, known as “functional accountability,” is often synonymous with fiscal and administrative accountability since it generally requires an agent to report to their principal on budget expenditures in relation to outputs. The direction of functional accountability is upward-oriented, and it is reinforced through legal contracts both within organizational hierarchies and externally toward the funder (Larkin & Reimpell, 2012). In nonprofit contexts, the contract is generally called a “funding agreement.”

Specific to the nonprofit sector, O’Dwyer and Unerman (2008) describe the functional accountability framework between donors and grantees as hierarchical with the goals of controllability and performance measurement, and centralizing control by the principal over the agent. In relation to governance types, functional accountability is most closely aligned with fiduciary governance; it supports nonprofit boards to oversee technical operations and fiscal accountability (Chait, Ryan, & Taylor, 2011; Hodgson, 2015).

Apart from functional, other forms of accountability exist. Most notable is social accountability, or value-driven accountability, which refers to formal and informal mechanisms that enable community members to promote service providers’ accountability to community priorities and that exist outside the hierarchical relationships (Cutt & Murray, 2000; Malena, Forster, & Singh, 2004; Baez Camargo & Jacobs, 2013). A distinguishing quality of social accountability is the direct participation of community members in activating and reinforcing accountability mechanisms (Malena, Forster, & Singh, 2004). In contrast with functional accountability, which is reinforced through formal institutional policies and legal contracts, social accountability represents a set of mechanisms and practices that reflect individual practitioner and organizational core values (Malena, Forster, & Singh, 2004). In contrast with upward-oriented functional accountability, social accountability is spread horizontally and is reinforced through the beliefs, convictions, and commitments of nonprofit teams and the communities they engage with (Murray & Tassie, 1994). It is value-driven and involves horizontal relationships to peer and organizational loci wherein the agent is accountable to a set of shared values. Social accountability is most closely aligned with strategic and generative governance approaches that place less importance on rules and operations (Hodgson, 2015).

In social justice and health equity contexts, value-driven accountabilities are noted as the most reliable forms of accountability since people are most accountable to what they believe in (Patton, 2006; Geer, Maher, & Cole, 2008). Value-driven accountability may challenge or even conflict with the external authority and/or funder focus of functional accountability creating tensions in nonprofit, social justice-oriented contexts (Phillips & Levasseur, 2004; Patton, 2006).

---

<sup>3</sup> Principal: a person or an entity who has controlling authority and is in a leading position (Merriam-Webster Dictionary, 2021)

Upward-oriented functional accountability to funders and donors frequently undermines accountability to communities served and to peer organizations<sup>4</sup>; in fact, several studies examining the state of accountability in the nonprofit sector reveal a significant bias toward functional accountability expressed as an overwhelming need to account to donors for financial resources and a much lesser need to account to the sector’s constituents (Phillips & Levasseur, 2004; Candler & Dumont, 2010). This bias is noted as a growing tendency to interpret accountability as a predominantly technocratic concept focused on control, regulation, and compliance, rather than a democratic process intended to facilitate shared responsibility (Chouinard, 2013; Phillips & Carlan, 2018).

Reporting requirements and quality improvement protocols focused on functional targets and benchmarks established by funders and higher-level auditing institutions may sideline community priorities and values of nonprofits.

Several researchers highlight how subordination to functional accountability, characterized by a failure to counterbalance it via other forms and directions for accountability, undermines the organizational capacity for learning and innovation that are necessary to keep a nonprofit’s practice aligned with its mission and core values (Phillips & Levasseur, 2014; Ebrahim, 2005; Eikenberry, 2009; Guijt, 2014; Rudman et al., 2017). Funders, whether government or philanthropic, may themselves lack understanding and mechanisms to prevent such dynamics even when they allege to share parallel priorities and values.

**Figure 1.** Existing Directions of Accountability in the Nonprofit Sector and Their Funder Bias

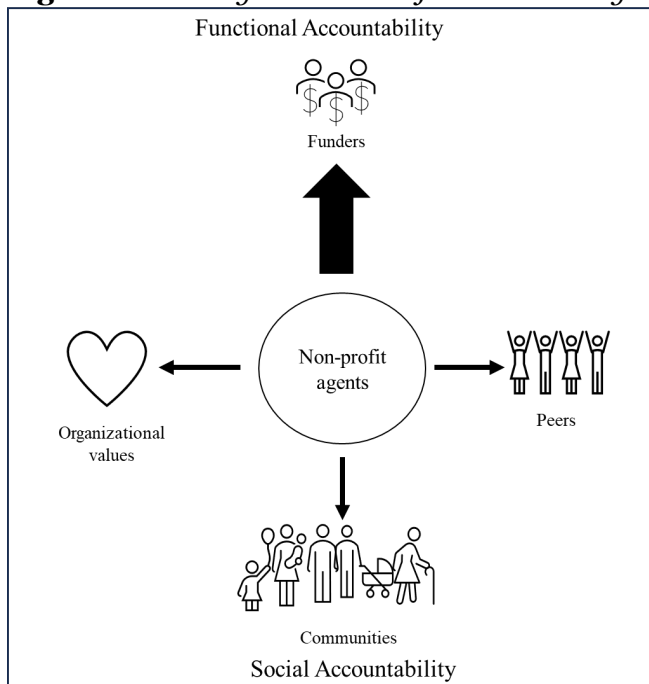


Figure 1 (p.12) illustrates the loci (focus) and directions of the various forms of nonprofit sector accountability discussed in this paper, including hierarchical (vertical) and lateral directions. The thick arrow depicts a heavy bias of functional accountability toward funders. Although

<sup>4</sup> Peer organizations include but are not limited to community partners, other CHCs, and professional associations.

functional accountability is not problematic, an imbalance favoring functional funder-driven accountability undermines community, organizational, and peer accountabilities.

## **Methodology**

### *Situating Ourselves: What in Our Histories and Lived Experiences Positioned Us to Pursue This Research.*

This study emerged from dialogue between an academic and practitioners involved in frontline health promotion work who experienced reporting, evaluation, and accountability systems in our day-to-day work. Given the intersectional feminist framing of the research, requiring attention to social location and positionalities (Pederson & Machado, 2019), it is relevant to situate the coauthors of this paper in relation to institutional and community contexts within which we undertook research and to note each co-author's positionalities and lived experiences. While Western epistemological traditions demand that researchers distance themselves from their individual social location, claiming this can minimize "potential bias", critical social theorists and Indigenous scholars have deconstructed this concept of alleged objectivity. Openly situating an individual's location and intentions, they argue, is a necessary step to ensure transparency and epistemological honesty in the research process (Absolon & Willet, 2005; Absolon, 2010; 2021; 2022).

Both coauthors have been involved in community health promotion and other systems change partnership work as practitioners, participatory evaluation facilitators, and community-based researchers. Julia Fursova, PhD, identifies as a community engaged scholar whose scholarship has been continuously informed by their experiences of and reflections on privilege and marginality produced by their many intersecting identities as a white Eastern-European immigrant navigating two immigration journeys, a settler in Canada, and a [neuroqueer](#) (Boren, 2022) individual. Gillian Kranias, MES, is a white queer settler of Greek-Irish heritage with significant unearned privileges, including class. Both authors encountered anti-oppression approaches within social justice movements from an early age and continually grow by "learning through action" and the power of reflection. We live and work on beautiful watershed lands that are traditional territories of Anishinaabe, Mississauga, Huron-Wendat, and Haudenosaunee peoples, as well as unsundered and unceded traditional Wolastoqey land.

This research project was informed by the coauthors' shared experiences as health promotion practitioners within the Ontario system of community health centres, navigating a divergence of institutional accountability and reporting requirements from community-based priorities and the organization's values and mission. The pursuit of this research aligned with its coauthors' commitment to use our privileged positions to question biases embedded in nonprofit sector systems, including reporting, evaluation, and accountability systems, with respect to social justice and health equity.

### *Theoretical Framing: What We Did and Why*

To understand the impacts of the prevailing functional accountability discourse on nonprofits via their accountability-reporting/evaluation-governance-practice pathway, this research examined reporting and evaluation requirements for community health centres (CHCs), as a sample of community-based nonprofit organizations who share an explicit commitment to addressing social determinants of health to advance social justice and health equity. In this context, the research examined how evaluation practice is shaped within the current CHC reporting and accountability systems from the core funder and to what extent these systems support evaluation aligned with



the core health promotion principles of interdisciplinarity, participatory decision-making and responsiveness to community context.

Governmentality and intersectional feminist lenses were applied as analytical frameworks to examine the role of CHCs within a broader nonprofit ecosystem concerned with social justice and systems change yet unfolding within a dominant neoliberal discourse. Both theories provided important insights for understanding how the tensions between hegemonic and counterhegemonic claims arise and what role they play in the discourses and dynamics of accountability, governance, reporting and evaluation. In the context of our study, governmentality theory enabled understanding of how neoliberal discourse contributes to entrenching the biomedical model of health, individualizing responsibility, and neglecting social determinants of health. Both governmentality theory and intersectional feminist lens directed the research to consider complex relationships and interactions between positionalities and neoliberal policies, and how these together produce vulnerabilities (Crenshaw, 1991; Levine-Rasky, 2011; Hankivsky et al., 2014). Aligned with Foucauldian theorization of power, where power is a relational concept shaped by both relationships of communication and objective capacities, intersectional feminist lens afforded a focus on power relations among different actors in the reporting, evaluation, and accountability systems (Foucault, 1982; Choo & Ferree, 2010; Christensen & Jensen, 2012).

#### *Methods and Ethics: How Did We Do It*

This study combined institutional ethnography and participatory action research. Both methods belong under the umbrella of critical social research and share an explicit social justice and feminist agenda. Institutional ethnography is a form of qualitative research informed by feminist and critical social theories. It uses ethnographic data collection methods while making connections between individual everyday experiences and institutional processes that govern them (Townsend, 1996). Institutional ethnography untangles how everyday individual experiences are externally constructed through social relations of power (De Vault & McCoy, 2006).

Participatory action research involves research participants in shaping the whole research process, from the beginning, with an aim to mobilize co-produced knowledge for social change (Minkler & Wallerstein, 2008). Both institutional ethnography and participatory action research are consistent with critical social theory as well as health justice and social determinants of health theories. More broadly, these research methods align with explicit commitments to health equity and community empowerment practices in the field of health promotion.

*Gathering a Research Advisory Team:* Collaborative research governance is central to participatory action research, and community engagement is a cornerstone of health promotion practice. To codesign the research and its participant recruitment strategy, the principal investigator and representatives from the two research partner organizations (Health Nexus and the Alliance for Healthier Communities) formed an initial research advisory team. To enable a small-scale ethnographic study, we then recruited two urban community health centers to participate in the research and invited representatives from these to join the research advisory team. Led by our institutional ethnography approach to this study of how power relationships construct the practice of program evaluation in health promotion, we recruited CHC representatives from various health promotion stakeholder positions, including staff and volunteers.

The recruitment process sought CHCs operating in low-income neighborhoods of Toronto with higher percentages of racialized residents, immigrants, single parent families, and seniors. We also sought CHCs with an explicit commitment to community health promotion initiatives (CIs)

as well as existing relationship(s) to the initial research advisory team. These existing relationships facilitated quicker reciprocal trust and understanding and encouraged honest and clear communications (Bishop-Earle, 2018). In its full membership, the research advisory team included coordinators, managers, frontline staff, and community volunteers, with each engaged in health promotion practice from their unique interrelated positions.

Research advisory team members contributed to finalizing the research questions, the data collection tools, and the recruitment process. They later contributed to preliminary data analysis and knowledge mobilization. Ethics approval was granted by York University Research Ethics Board in April 2017.

*Qualitative Research Methods:* The qualitative multimethod research used document review, semi-structured individual interviews, and participatory group discussions. Data collection and preliminary findings were discussed and developed at monthly research advisory team meetings from April 2017 to January 2018. Detailed design of the methods was iterative. For example, the academic researcher first presented results from the documents review and the interviews with funder-level administrators. Then, collaborative data analysis discussions among research advisory members informed the subsequent interviews and group discussions for data collection with health promotion practitioners.

Through these mixed methods, the research analyzed how discourses of accountability shape reporting and evaluation and, in turn, influence governance decisions regarding community health promotion practice. This examination treated reporting and evaluation as a site of knowledge production influencing health promotion investments, activities, and their outcomes.

The following documents, guiding reporting and evaluation in health promotion at the provincial level, were reviewed: Ontario Healthcare Reporting Standards (OHRS); Multi-Sector Service Accountability Agreement (MSSA); Local Health Integration Network Provincial Strategic Framework and Logic Model. In addition, CHC-specific evaluation frameworks, plans, and program reports, related to the specific programs discussed by research participants, were reviewed.

In total, 14 individuals representing different organizational roles and location in relation to evaluation processes participated in the research. Among participants were four community volunteers, three frontline workers, three project coordinators, two managers, and two participants representing funding-level administrators. Both participatory group discussions and interviews were recorded and transcribed. To sketch institutional relations revealed in interviewees' speech, interview transcripts were analyzed with attention to institutional and organizational factors that enable or impede evaluation practices consistent with health promotion principles of community participation, interdisciplinarity, empowerment of individuals and communities, and appropriateness to context (Rootman et al., 2001). All transcripts were coded with participant role in the organization, e.g., manager, frontline health staff, volunteer/program user, and external funder/administrator and uploaded to NVivo 12 for analysis. The constant comparison method and member checking with research advisory team members constituted an important validity procedure (Lincoln & Guba, 1985; Creswell & Miller, 2000).

*Collaborative Data Analysis:* Via interviews and participatory discussions about the everyday experiences of health promotion practitioners in the implementation of reporting and evaluation processes, the principal investigator analyzed routine occurrences of reporting and evaluation in relation to the organizational and institutional texts guiding reporting and evaluation. A focus on discrete and interlocking activities of these managers, coordinators, frontline workers, and

community volunteers revealed how rules and guidelines generate a coordinated set of activities (Mykhalovskiy & McCoy, 2002).

To engage research advisory team members in collaborative data interpretation, the principal investigator presented preliminary themes on data placemats. Data placemats is a participatory technique to enhance stakeholders' understanding of data and promote cocreation of meaning (Pankaj & Emery, 2016; Gutierrez, Preskill, & Mack, 2017, Krantias, 2018). In this study, the placemats presented data highlights in relation to emerging themes, highlighting "tension" points between evaluation practices and key health promotion principles. The placemats also showed the flow of data through organizational and institutional hierarchies. The research advisory team enabled an integration of different stakeholders' perspectives to influence the research within a broader scope on contextual factors and institutional dynamics rather than on individuals or specific organizations. The combination of institutional ethnography and participatory action research informed the research process with the lived realities of frontline practitioners and validated findings through their diversely situated subjectivities.

## **Findings**

The study revealed three interconnected phenomena:

- i. a clinical model and biomedical view of health embedded in the structure of reporting requirements;
- ii. methodological pressures and capacity constraints for health promotion evaluation; and
- iii. weakened community participation in evaluation.

Layered together, these three phenomena hindered the use of evaluation practices consistent with health promotion principles.

### *A Clinical Model and Biomedical View of Health Embedded in the Structure of Reporting Requirements*

This section presents results of the document reviews of reporting requirements from the CHCs' core funder, i.e., the Local Health Integration Network (LHIN).<sup>5</sup> The key documents reviewed were the Multi-Sector Service Accountability Agreement (MSAA) and the Ontario Healthcare Reporting Standards (OHRS). Both documents focus on financial accountability and performance measurements of health service agencies, including but not limited to CHCs. The MSAA also establishes the funding and service relationships between health service providers and the Local Health Integration Network (LHIN). Together, these documents comprise a reporting system reinforced and supervised by the province of Ontario's Ministry of Health and Long-Term Care, through regional LHINs.<sup>6</sup> CHCs and other health care organizations<sup>7</sup> submit OHRS-compliant financial, statistical, and balance sheet account information to a provincial database on a quarterly basis. The main purpose of OHRS is to ensure fiscal accountability to the province's Ministry of Health and Long-Term Care (hereafter the Ministry) and its reporting requirements focus on cost/benefit analysis.

---

<sup>5</sup> This is based on the data in 2016–2018 prior to any changes in the provincial healthcare system under the current Ontario Progressive Conservative government.

<sup>6</sup> At the time of this research, there were 14 regional LHINs; in 2019, the Ministry transitioned to six regions. <https://www.ontariohealth.ca/about-us/our-programs/ontario-health-regions>

<sup>7</sup> Among other health care organizations required to submit data through OHRS are public and private hospitals, community care access centers, children's treatment centers, community mental health and addictions organizations, community support services, and long-term care homes.

OHRS cost/benefit calculations apply to reporting categories named “functional centres.” A functional centre is defined as a subdivision of an organization’s revenues, expenses, and statistics pertaining to a specific function or activity. The category of functional centre is used to focus on and monitor the costs of labor, supplies, and equipment per function (MOHLTC, 2012). This concept of a functional centre was created for health service agencies that are clinical in nature (e.g., hospitals, children treatment centers, community care access centers) and where activities target individuals with identified pathologies or disabilities, whether permanent or temporary.

Four functional centres account for the diversity of health promotion activities within Ontario CHCs: community health; health promotion; health education; and community development. These intend to capture and track costs of CHC work that happens in group and community settings, i.e., that does not focus on individual clients (OHRS, 2017).

OHRS and MSAA are part of an institutional fiscal accountability and functional reporting system focused on “value for money.” An administrative officer tasked with ensuring CHCs adherence to the provincial reporting system (2017), commented how the system presumes a “matching principle” structure, within which healthcare organizations report on activities and services delivered in relation to money spent. However, this “matching principle” structure only exists for clinical services and health education programs. The structure is mismatched regarding health promotion and community development activities targeting social determinants of health. The same administrative officer further elaborated:

“[t]here is only one account on OHRS that has any relation to community initiatives, and it only asks for budget, so money spent on the community initiatives and no information about community initiatives whatsoever...” (Administrative Officer, Individual interview, 2017)

For the functional centre of structured health promotion initiatives, such as personal development groups, CHCs can also report the number of clients reached, and within that a breakdown of registered clients to non-registered clients; however, all costing analysis, if any, is based on the registered clients only.

Contrary to the [CHC Model of Health and Wellbeing](#) (Alliance for Healthier Communities, 2020) accepted across Ontario CHCs as their model of care, OHRS reporting requirements are rooted in a clinical model and biomedical view of health. Within the biomedical concept of health as an “absence of disease,” being a client of a CHC means being a patient who presents a disease, illness, or any other form of pathology. As an administrative officer (2017) noted:

... [t]his is where we don’t fit in [their] box, we are the round peg in the square hole. They try to get us into the same system as them and we never fit, [w]hen they analyze our data, they are still analyzing them the way they analyze other [clinical] ones, [so] our costs look so high. Because we really don’t fit in there. (Administrative Officer, Individual interview, 2017)

Within this clinical model, when a CHC spends resources to engage with populations that are difficult to register (e.g., people with precarious immigration status and homeless or near homeless people) and/or runs community initiatives targeting social determinants of health (e.g., community gardens, neighbourhood safety initiatives, youth development), the CHC looks “frivolous” in their expenses when compared with those that favor clinical activities and/or facilitate health promotion activities with registered clients only.

As a key feature of their reporting structure, functional centres generate several problems for CHCs. First, they influence CHCs to apply a pathologizing lens, as it becomes easier to fit clients and activities within a functional centre when the focus is on a pathology rather than a concept of wholistic wellbeing. Second, functional centres prioritize activities with registered clients over engagement with the broader community; this also frames community members as “clients” or “patients” rather than contributing participants in collaborative processes aiming to transform conditions that determine community and population health. Third, the concept of functional centres in reporting requirements structures CHC work along professional boundaries and hinders interdisciplinary work. Functional accountability frames a CHC clinician’s involvement in interdisciplinary health promotion programs and health justice advocacy campaigns as “fiscally irresponsible” work. This narrow lens does not account, *by definition*, for the interdisciplinary nature of health promotion practice.

By missing important “boxes” and failing to capture a significant portion of health promotion activities and outcomes, reporting tables informed by the clinical model and biomedical view of health contribute to the invisibility of community health promotion work and its impacts from the perspective of the core funder, the principal.

Stemming from these constraints of reporting from a biomedical viewpoint oblivious to social determinants of health, this study identified methodological pressures and capacity constraints for the effective evaluation of CHCs’ health promotion practices.

#### *Methodological Pressures and Capacity Constraints in Health Promotion Evaluation*

Responding to reporting requirements underpinned by the clinical model and biomedical view of health, health promotion staff employ strategies and tools that attempt to quantify, to make evident, the outcomes and impacts of their activities. Examples of this include tracking numbers of program participants and the administration of pre- and post-program surveys. Such evaluation strategies produce reductionist assessments of the complex, synergistic, and long-term outcomes of health promotion initiatives.

Interviewed practitioners shared insights into barriers to the use of evaluation methods aligned with key health promotion principles, which are related to evaluation resourcing, staff capacity building, and pressures to favor quantitative, conventional evaluation methods.<sup>8</sup> CHC practitioners described conventional evaluation as less useful for community initiatives since it lacks in accountability to community priorities, and it is not supportive of collaborative learning and process improvement. The practitioners further noted how measurements against predetermined goals and objectives inherent in a conventional approach, i.e., in the linear framework of a logic model, are not necessarily appropriate for the complex structures and emergent (constantly evolving) nature of community health promotion initiatives. Practitioners expressed preference for a more responsive and continuous approach to evaluation, highlighting elements of what might be termed “wholistic, developmental, and/or participatory evaluation design.” Such evaluation designs acknowledge the complexity of social contexts, accommodate interdisciplinarity, advance equity among partnership members, spark creativity and innovation, and promote wholistic accountability orientations towards the people who participate in programs and organizational values as well as their funding bodies (Guijt & Gaventa, 1998; Patton, 2006; Kranias, 2018; Absolon, 2022).

---

<sup>8</sup> Conventional evaluation derives from Western positivist thought. It aims to produce definitive judgments of success or failure, with accountability oriented to funders and other external authorities (Patton, 2006; Potvin & Richard, 2001). This contrasts with wholistic, Indigenous-informed approaches that focus on cyclical and relational activities and prioritize situated over generalized knowledge (Absolon, 2010).



The practitioners also reflected on institutional barriers to implementing evaluation designs consistent with key health promotion principles. Limited resources and capacities for evaluation in CHCs aggravate the tensions between the functional accountability demands from CHC funders and the priorities of a wholistic accountability system, since this latter would demand considerable reorientation toward community members and peers. An interviewed health promotion coordinator discussed accountability to program participants as highly desirable in community health promotion but noted how, in everyday work, their organization's accountability toward funders takes priority. With both CHCs' lack of resources to apply more complex evaluation methodologies to inform process improvements, strengthen relationships, and adopt wholistic accountability practices that include community priorities, evaluations often narrow down to a headcount:

I think what would be really helpful is information, feedback around the process [of community engagement]... [learning] what has worked well in terms of support available to residents to get them to that discussion table, which is what I'd say most organisations are always aiming for. But there is often not enough infrastructure to facilitate that [kind of evaluation] But for the purposes of reporting, I think really at the end of the day that would be numbers. (Health Promotion Coordinator, CHC A, Individual Interview, 2017)

The emphasis on studying a CHC's "number of clients served" also favored engagement of community members with less complex engagement pathways from population groups facing fewer access and inclusion barriers. These dynamics generate negative implications for equity:

Let's say you served 10 people. But those 10 people have lots of issues, and the amount of time and the amount of resource you put for those groups might be a lot ... Or you might have 50 people with less underlying issues. When you look at it, you prefer 50 to show "Oh, I have 50 people." But ... what does it mean? ... The cost per participant or client [whatever] you name it ... when you analyze, you prefer 50. But it is not only [about] cost effectiveness. You have to see who your clients are. If they are marginalized people, we talk about equity. Those 10 people may be with lots of complex health needs and issues. (Health Promoter, CHC B, Individual Interview, 2017)

The rift between funder requirements for easily quantified data and community priorities of sustained engagement and learning was described by one health promotion practitioner:

[t]he disconnect is in how they [funders] are viewing stuff, and how it's played out on the ground. The stress of the numbers can affect the work you do. It is a hard place to be a front-line worker because numbers, numbers, numbers—but it's not all about that, you also need the time to make the community connections that lay the foundation to keep and increase those numbers and support the community to keep coming out ... (Community Engagement Project Manager, CHC B, Individual Interview, 2017)

Additionally, pressures for client numbers and cost-efficiency exist alongside a notable gap in guidance and an absence of benchmarks from the core funder. A health promotion manager commented on the lack of clarity:

[t]here is no guidance in relation to cost efficiency. So, when we evaluate (because you know we all face budget constraints), what's the reference point? I think it has to be realistic. We definitely have to talk about money as to how we make sure our resources are being spent on those who are most in need. I think addressing the financial piece is rather

quite important. But at this point, we don't even know where the reference point [is]. What is considered to be cost efficient, and relative to what? (Health Promotion Manager, CHC B, Individual Interview, 2017)

This same health promotion manager also highlighted a lack of parallel pressure in relation to health promotion outputs/outcomes to match the pressure for cost efficiency.

The focus on functional accountability combined with the CHCs' organizational capacity constraints narrowed the purpose and benefits of their evaluation practices:

I think that, in a lot of time[s], evaluation is just something that we kind of tuck at the end of the program, just to say that we did it... I think that often it's because lack of resources, lack of time ... thinking that ... it is not actually going to change anything ... (Frontline health promoter, CHC A, individual interview, 2017)

The study noted how this narrowing coalesced into a third phenomenon in practitioners' health promotion evaluation practice, identified as "weakened community participation in evaluation."

#### *Weakened Community Participation in Evaluation*

Within this study, health promotion practitioners, including managers, coordinators, community health workers, and volunteers, assessed the extent of their input into their CHC evaluation designs and implementation using a framework adapted from Furubo and Vestman (2011), which describes seven aspects of power in the evaluation process. These aspects of power are agenda setting, framework development, establishing values and criteria, evidence collection, knowledge sharing and knowledge mobilization, and defining parameters for participation in evaluation. Within the context of this study, each aspect was labelled as a step of the evaluation process and practitioners assessed their decision-making power at each step (aspect) on a scale of 1 to 3, where 3 indicated executive power with access to necessary resources.<sup>9</sup> The practitioners also shared examples illustrating how their decision-making power unfolded at the practical level of evaluation implementation.

Not surprisingly, the self-assessments showed that managers exercised the most decision-making power at each step of the evaluation process. In high contrast were community members, who noted having especially limited opportunities to influence design of CHC evaluations. At the same time, community members highlighted that, when they are invited to sit on advisory groups (i.e., to participate in evaluation design discussions), this contributes to a more inclusive and context-appropriate evaluation:

I'm involved in tools for information gathering, to give others' ideas on how to interact with residents, i.e., what would work best. Not everyone will sit down to do a survey; I give the group doing the evaluation ideas of what might work, what might not work. I try to get the people doing the evaluation to accommodate for the different communities. (Community volunteer #2, CHC B, 2017)

Yet within these group discussions, community volunteers often experienced unequal power dynamics, with the "agency" maintaining a dominant role in shaping evaluation design: "It's usually the agency that takes the stronghold in these things, so even as a steering committee we rubber-stamp what agencies push for." (Community Volunteer #1, CHC B, 2017)

---

<sup>9</sup> Practitioner input was conceptualized as the degree to which individuals participate in decision-making concerning each aspect of evaluation process, combined with recognized skills, expertise, and access to resources.

Frontline workers and managers confirmed these observations regarding structural constraints on community participation in evaluation design. A manager of a community engagement project shared that voices at the advisory tables may be valued differently: “If a resident brings something to the table, there’s less buy-in than if an agency proposes it.”

In the study, CHC workers and managers often misconstrued qualitative data collection (i.e., open-ended questions in feedback forms, interviews, and/or focus groups) as participatory evaluation. Within their CHCs, the involvement and influence of program participants in evaluation design itself, - the hallmark of a participatory evaluation approach, - ranged from limited to nonexistent. Those who did understand participatory evaluation methods cited lack of time and other resources to enable a higher degree of community participation in the evaluation process as one of the barriers to adopting this approach. A health promoter shared the following: “Yes, in theory, I agree. But in practice, I have never done that. In theory, even though I agree, time is a factor. It is really hard to bring people in[to] design of evaluation and design of the overall program.”

When determining such scaffolding design structures as values, criteria, and evidence for an evaluation, managers and frontline health promoters often align evaluation processes with the priorities of their funders without determining to what extent such priorities reflect those of community members. This gap impacts both knowledge development about programs as well as subsequent decisions about implementing or scaling back health promotion activities in the community. As community volunteer 1 in CHC B (2017) asks:

Why do funders fund things the way they do? It doesn’t make sense. Instead of seeing what the community needs are, they [the funders] decide what the needs are. It’s very top-down. You have to decide to put your round peg in their square box and in doing that a lot of things get lost.”

Both money and expertise resources were described as instrumental for enabling greater participation of community members in health promotion evaluations. For example, a participatory Photovoice evaluation of a food security project was discussed as comprehensive and useful in helping to inform program development and enhance community engagement:

[T]he more extensive and more creative kind of evaluation has happened with the project because there was an added resource and expertise to bring that lens forth. (Health Promotion Coordinator, CHC A, Individual Interview, 2017).

In another case, continuous evaluative learning<sup>10</sup> efforts were spearheaded by a program manager, who introduced an ongoing client feedback survey alongside a quarterly participatory team review of the survey results to inform program planning. This evaluation process led to new program developments that were responsive to community members’ priorities.

In both cases, which illustrate community-oriented accountability, the CHCs exceeded their funder reporting requirements. In the first, participatory evaluation was enabled through additional external funding and a graduate student placement. In both, it resulted from a manager’s determined commitment to quality improvement and CHC values. Yet, their work

---

<sup>10</sup> Evaluative learning denotes an ongoing, iterative process for continuous quality improvement (Kranias & Quinlan, 2013). Many collective reflection and continuous learning approaches, including those from Indigenous knowledge traditions as well as grassroots and activist organizing practices, parallel an evaluative learning approach (Brown, 2017; Absolon, 2022). Most recently, this approach is described as developmental evaluation and evaluative thinking (Patton, 2018).

remained a “supplementary” evaluation activity that dwelled on the margins of institutionalized discourses and practices of the CHCs.

In summary, evaluative efforts that contribute to a wholistic accountability (i.e., are participatory and aligned with goals of social justice and health equity) occur on the margins. They are rarely supported and resourced via formal accountability structures. Further, high turnover of frontline staff, increased service delivery targets, and overreliance on unpaid community volunteer labour erode existing elements of participatory evaluation design (Fursova et al., 2022). In the absence of wholistic accountability systems that would center, support, and resource community participation, evaluation practices struggle to stay aligned with key health promotion principles.

## **Discussion of Findings**

This study examined health promotion reporting and evaluation practices of community health centers (CHCs) in the context of reporting and accountability requirements of their core funder, examining how institutional discourses, organizational practices, and methodological decisions may enable or impede the application of evaluation design consistent with key principles of health promotion. The findings presented speak to the research questions: i) What institutional discourses and organizational practices enable or impede the application of methods and tools that are consistent with key principles of health promotion? and ii) What methodological principles in evaluation support equitable power relations?

Before delving into the discussion of what the study findings might entail for health promotion evaluation, it would be diligent to outline some limitations and strengths of this research.

The knowledge cocreated during this participatory study is limited by the small sample size and the urban context of the participating CHCs. While funding conditions and reporting requirements of the core funder—the Ministry of Health and Long-Term Care—apply to all CHCs in Ontario, how reporting requirements and accountability discourses shape evaluation practices in rural and remote contexts may be different. Although designed as a combination of institutional ethnography and participatory action research, the community-based aspect of the research faced some constraints with respect to the resourcing of community members’ full participation in the latter stages of the research such that final data analysis was conducted for the most part by the academic coauthor alone. Furthermore, funding for this research project and institutional research ethics protocols upheld a hierarchical division of labor, thus positioning the academic as the principal investigator in charge of the research process. A de-centering of this bias was to some extent achieved through establishment of the research advisory team, which enhanced validity through collaborative data analysis and member checking as well as co-authorship of this manuscript with a community partner (non-academic health promotion professional). Both actions were intentional and consistent with the commitments of intersectional feminist and participatory action research to sharing power in knowledge production.

The institutional ethnography methodology was of particular strength to the study. Not only did it allow for description of discrete themes related to challenges, successes, and lessons learned, it also enabled the explication of several phenomena as systemically connected and structurally embedded in the reporting and evaluation *system* in community healthcare. Through the undertaking of this research, three interconnected phenomena came to light: i) a clinical model and biomedical view embedded in the structure of reporting requirements; ii) methodological pressures and capacity constraints in health promotion evaluation; and iii) weakened community participation in evaluation. The study further identified how the overlay of these phenomena

generated an upward-oriented functional accountability bias which undermined each CHCs' capacity to design and implement evaluations consistent with key health promotion principles.

The imposition of a clinical model and biomedical view of health in the structure of reporting requirements rendered invisible the CHCs' outputs, outcomes, and impacts related to social determinants of health. Related methodological pressures and capacity constraints (of skills and resources) within health promotion evaluations discouraged attention to CHC principles of interdisciplinarity and undermined evaluation approaches more appropriate to the complex nature of health promotion work, i.e., qualitative, evaluative learning, developmental and participatory approaches. Despite their centrality to health promotion and health equity principles (Rootman et al., 2001; Nitsch et al., 2013) and to effective action in partnerships (Bilodeau et al., 2017), the early design and decision-making involvement of representatives from the communities that health promotion activities intended to benefit was rare. In effect, the CHCs' reporting and evaluation system rendered health promotion evaluation activities less meaningful for all actors involved—managers, frontline workers, and community members—and reduced the likelihood of evaluation practices consistent with key health promotion principles. The results of this study revealed, overall, how accountability discourses and practices for reporting and evaluation are consequential to an organization's strategic directions, resource allocations, and program and service delivery approaches.

To illustrate the systemic synergy and impacts of the three phenomena identified by this study, the coauthors share and describe here a mixed media collage (Figure 2, p. 31) created by Julia Fursova in the process of analysing and describing emerging findings. The collage, entitled *Reporting and Evaluation Puzzle in Health Promotion*, shows, in one top corner, reporting requirements spewing out of "the machine," represented by a vintage typewriter. The machine of functional accountability systems driven by neoliberal economics asks, "how much money did you spend?" Numbers float off, spilling toward the central part of the artwork, but only so far as to intermingle with some monetary coins. Images of birds, butterflies, and everyday paraphernalia (teabags, buttons) float about near the opposite and bottom corner of the collage where they remain distant from and outside the reach of the numbers, i.e., "invisible to the accountability system." These images represent diverse stories, voices, and a multitude of community health and well-being impacts and knowledges that, even when noticed by frontline staff, have no solid connection pathway to the organization's evaluation and strategic learning systems (which lack meaningful community participation). Segregation between the two evaluation viewpoints, or structural "frames," is expressed by an unclear but persistent spatial break between the juxtaposing metaphors and is further illustrated by two sections of a half-assembled puzzle that will not fit together. A few lone puzzle pieces float between. The collage employs elements of steampunk style to convey impressions of the industrial revolution and its logic of mechanisation and automatization, which permeate upward-oriented functional accountability systems. Simultaneously, the steampunk aesthetic conveys potential for curiosity, imagination, and discovery.

The three phenomena identified and described in this study are nested within an upward-oriented functional accountability bias that prioritizes reductionist cost effectiveness and performance measurements at the expense of key health promotion principles and goals. Layered together, they hinder the use of evaluation practices consistent with health promotion principles.

In effect, reporting requirements from the core funding body for CHCs in Ontario function as a neoliberal colonizing structure, undermining other forms of accountability, such as social accountability to communities served as well as peer and internal/professional accountabilities. The resulting evaluation system inhibits equitable and empowering participation of CHCs' health



promotion stakeholders in shaping evaluation designs and activities; further, it undermines the social justice and health equity potential of community health promotion practice. Reinforcing technocratic approaches, minimizing community member engagement, lacking contextual sensitivity, and centralizing knowledge production furthers the entrenchment of existing power relationships (Shwandt, 2009; Chouinard, 2013). In other words, the functional accountability bias and its related reporting requirements structurally reinforce the status quo through a system of evaluative regulation (reporting and evaluation knowledge production as “power over”). Meanwhile, such regulatory dynamics are largely concealed as “neutral” and uncritically internalized via texts of reporting and evaluation requirements (Foucault, 1982; Nickel & Eikenberry, 2009; Chouinard, 2013). These texts hinder evaluation design processes and methodologies that could move CHC and similar nonprofits’ reporting and evaluation systems away from dynamics of domination and control and towards equitable partnership dynamics that highlight relationality and attend to reciprocity and “power with” (Eisler, 2008).

**Figure 2.** Reporting and Evaluation Puzzle in Health Promotion

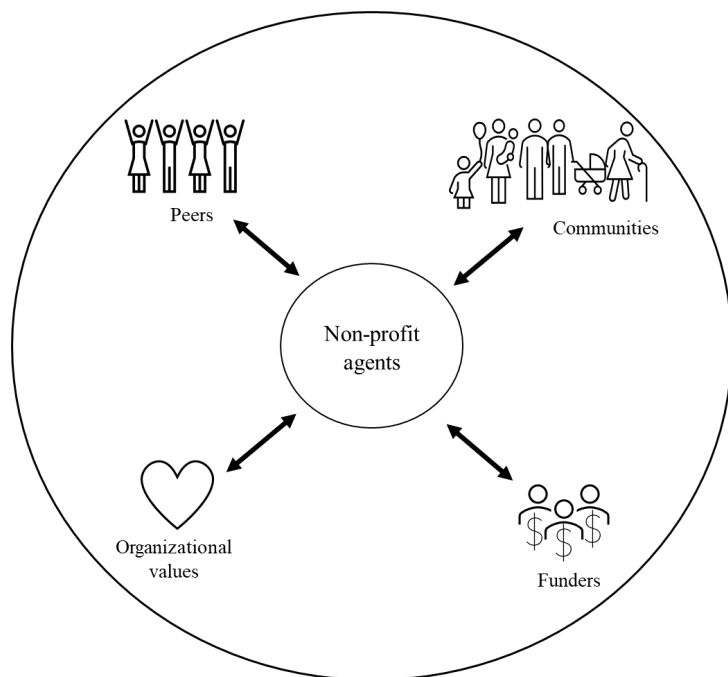


An essential element of participatory action research is its action-orientation. In acknowledging the realities illuminated by this research, an important question begs exploration: What internal and external mechanisms could activate wholistic forms of accountability, to replace accountability models rooted in patriarchal and neocolonial views?

A wholistic accountability system framework was developed by the coauthors for the purpose of this paper. The framework was also informed by deliberative discussions in the coauthors' ongoing collaborations with some community members of the research advisory team. These deliberations sought to identify what kind of accountability system framework could align with an evaluative learning approach (reporting and evaluation knowledge production as "power with"), and which relational accountability dynamics would ensure that CHCs and similar community-based nonprofits answer not only to their funders' priorities but also to the priorities of community constituents and to CHCs' internal organizational values and health promotion peers.

In Figure 3 (p. 35), we present a framework titled "wholistic accountability system." This framework shifts the funder-oriented functional accountability interest away from the "top" and brings its locus into balance with community, organizational values, and peer accountability loci. These three loci, and their reporting and evaluation priorities are equally essential to effective social justice and health equity practice. As articulated by participants in this study (as well as in CHC and health promotion principles, vision, mission, and values texts), while community, organizational values, and peer loci may also have functional accountability concerns, they favor a more complex wholistic accountability framework characterized by broader evaluative learning objectives and activities. Functional concerns would show up as a smaller portion of their reporting and evaluation responsibilities and resources, and may emphasize different indicators.

**Figure 3.** Circular Framework for a Wholistic Accountability System



Building reporting and evaluation systems aligned with wholistic accountability can support the complexity demands of community and systems change processes for social justice and health

equity. Moreover, wholistic accountability favors empowering, participatory, and developmental evaluation approaches consistent with evaluative learning and aligned with critical social theory and health promotion principles. A wholistic accountability framework and system could facilitate CHC and other nonprofits' organizational change toward knowledge cocreation, as a part of a transformative systems shift toward "power with."

The literature already notes that approaching accountability and evaluation critically, and as a key strategic lever, may help social justice driven nonprofits redefine and achieve their highest values (Brown & Moore, 2001; Chouinard, 2013; Phillips & Carlan, 2018). Shifting nonprofits' axis of accountability in ways that reposition funder "agency" from relations of regulatory patronage to relations of partnership (Bilodeau et al., 2017; Kranias, 2018; Bilodeau & Kranias, 2019) and that integrate anticolonial commitments of community reciprocity (Wilson, 2020; Absolon, 2022) can reorient accountability toward a balanced, circular system of continuous learning and emergent strategy for social justice and health equity.

To enable evaluation practice consistent with key health promotion principles and to realign and rebalance accountability and governance systems toward equity, diversity, inclusion, and decolonization, we propose the following actions for stakeholders involved in evaluation activities and resourcing.

Funders, especially those who fund health promotion and systems change, can remove constraints and resource facilitators to advance the change they seek via these actions:

- Resource evaluation to inform organizational learning and program development.
- Ensure the designated budget for evaluation activities can sufficiently support program participants and service users to meaningfully participate in shaping and driving reporting and evaluation.
- Require evaluative learning considerations as a part of project proposals, using questions prompts that encourage participatory evaluation.
- Assess evaluation strategies for their alignment with key health promotion and systems change principles, and for their appropriateness to context, e.g., enabling equitable inclusion of people with lived experiences of an issue at hand.
- Build comprehensive capacity for participatory evaluation within the funding agency, and resource and motivate capacity development among grantees.

At an organizational level, to adopt participatory ways to knowledge cocreation and aligned governance, we propose to the executive leadership of community-engaged nonprofits:

- Ensure a designated core budget that supports comprehensive participatory evaluations.
- Integrate evaluative learning activities in organizational workplans, planning cycles, and general organizational culture.
- Continuously nourish organizational capacity for participatory evaluation.
- Sustain equitable participation of community members by sufficiently compensating their time, skills, and knowledge.

For frontline practitioners, we offer the following considerations:

- Integrate participatory evaluation principles and techniques in all forms and stages of evaluation, with particular attention to enabling community participation in codesign.
- Enable participation of a broader range of stakeholders by addressing access barriers such as child/eldercare, transportation, food security, meeting schedules and locations.
- Compensate community members for their time, skills, and knowledge.
- Stay committed to evaluative learning and reflective practice.

## **Conclusions**

Using the example of two urban CHCs in Toronto, this research examined evaluation practices in community health promotion with respect to their alignment with key health promotion principles. The research revealed three interconnected phenomena shaped by the existing reporting and evaluation system and demonstrated how evaluation practice consistent with key health promotion principles is in fact impeded. The findings of this study highlight how CHCs and other nonprofits that increasingly pursue their social justice and health equity goals through a “systems change” commitment must grapple with their own positionality inside neoliberal and neocolonial accountability, reporting, and evaluation systems.

In their discussion of findings, the authors present a wholistic accountability framework as a lens for reorienting upward-oriented accountability systems toward a wholistic and relational system that balances accountability priorities among diverse stakeholders. Finally, the paper offers action pathways for funders, executive leadership, and frontline staff, all of whom are actors with essential responsibilities in systems change. We hope this article will contribute to broader awareness about the non-neutrality and multilayered impacts of accountability systems and how shifting to a wholistic accountability framework can support knowledge production choices and resourcing that work in synergy with CHC and nonprofits’ passionate commitments to systems change for social justice and health equity.

## **Acknowledgments**

The coauthors would like to express gratitude to other members of the Research Advisory Team for their generous and significant contributions of time, energy, and knowledge in the cocreation of this research: Kaydeen Bankasingh, Unison Health and Community Services; Denise Bishop-Earle, Lawrence Heights Inter-Organizational Network; Maria Calvachi, Flemington Health Centre; Amy Cheng, Unison Health and Community Services; and Dr. Jennifer Rayner, Alliance for Healthier Communities.

## **Disclosure Statement**

This research was implemented with funding and resource support from Knowledge Mobilization Internship grant, York University, in partnership with Alliance for Healthier Communities, and Health Nexus, Toronto, Canada.

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

## **References**

- Absolon, K., & Willet, C. (2005). Putting ourselves forward: Location in Aboriginal research. In L. Brown & S. Strega (Eds.), *Research as Resistance: Critical, Indigenous & Anti-oppressive Approaches*. (pp. 97–126). Toronto, ONT.

- Absolon, K. (2010). Indigenous wholistic theory: A knowledge set for practice. *First Peoples Child & Family Review*, 5(2): 74–87. <https://doi.org/10.7202/1068933ar>
- Absolon, K. (2021). Four generations for generations: a pow wow story to transform academic evaluation criteria. *Engaged Scholar Journal: Community Engaged Research, Teaching, and Learning*, 7(1): 66–85.
- Absolon, K. (2022). *Kaandossiwin: How We Come to Know Indigenous re-Search Methodologies*, 2<sup>nd</sup> ed. Fernwood Publishing.
- Albrecht, D. (1998). Community health centres in Canada. *Leadership in Health Services*, 11(1): 5–10.
- Alliance for Healthier Communities. *Model of Health and Wellbeing*. 2020. <https://www.allianceon.org/Model-Health-and-Wellbeing-o>
- Association of Community Health Centres, Community Initiative Resources Tool (CIRT). (2019). Data Entry Manual.
- Baez Camargo, C., and Jacobs, E. (2013). *Social accountability and its conceptual challenges: An analytical framework*. Basel Institute on Governance. Working Paper Series, 16.
- Benfer, E. A. (2015). Health justice: A framework (and call to action) for the elimination of health inequity and social justice. *Am. UL Rev.*, 65: 275.
- Bilodeau, A., and Kranias, G. (2019). Self-evaluation tool for action in partnership: translation and cultural adaptation of the original Quebec French tool to Canadian English. *The Canadian Journal of Program Evaluation*, 34(2). doi: 10.3138/cjpe.43685.
- Bilodeau, A., Galarneau, M., Fournier, M., Potvin, L., Sénécal, G., and Bernier, J. (2017). Self-evaluation tool for action in partnership. Health Nexus. Accessed 24 September 14 November 2018 at <https://en.healthnexus.ca/topics-tools/community-engagement/partnerships#resources>
- Bishop-Earle, D. (2018). Personal communication.
- Bipartisan Policy Centre, *Infographic: What makes us healthy vs. what we spend on being healthy: Bipartisan policy center*. INFOGRAPHIC: What Makes Us Healthy vs. What We Spend on Being Healthy | Bipartisan Policy Center. (2012). <https://bipartisanpolicy.org/report/what-makes-us-healthy-vs-what-we-spend-on-being-healthy/>
- Boren, R. (2023, January 5). *Autigender and Neuroqueer: Two words on the relationship between autism and gender that fit me*. Stimpunks Foundation. Retrieved February 17, 2023, from <https://stimpunks.org/2022/09/25/autigender-and-neuroqueer-two-words-on-the-relationship-between-autism-and-gender-that-fit-me/>
- Brassolotto, J., Raphael, D., and Baldeo, N. (2014). Epistemological barriers to addressing the social determinants of health among public health professionals in Ontario, Canada: a qualitative inquiry. *Critical Public Health*, 24(3): 321–336.
- Bretschneider, P., Cirilli, S., Jones, T., Lynch, S., and Wilson, N. (2017). Document review as a qualitative research data collection method for teacher research. In *SAGE Research Methods Cases*. <https://www.doi.org/10.4135/9781473957435>
- Brown, L. D., and Moore, M. H. (2001). Accountability, strategy, and international nongovernmental organizations. *Non-profit and voluntary sector quarterly*, 30(3): 569–587.
- Brown, A. M. (2017). *Emergent strategy: Shaping change, changing worlds*. AK Press.
- Brown, W. (2003). Neo-liberalism and the end of liberal democracy. *Theory and Event*, 7(1): 1–23.
- Canadian Association of Community Health Centres. *Invest in Community Health Centres*. 2023. <https://www.cachc.ca/policy-advocacy/>
- Candler, G., and Dumont, G. (2010). A non-profit accountability framework. *Canadian Public Administration*, 53(2), 259–279.

- Chait, R. P., Ryan, W. P., and Taylor, B. E. (2011). *Governance as leadership: Reframing the work of non-profit boards*. John Wiley & Sons.
- Choo, H. Y., and Ferree, M. M. (2010). Practicing intersectionality in sociological research: A critical analysis of inclusions, interactions, and institutions in the study of inequalities. *Sociological theory*, 28(2), 129-149.
- Chouinard, J. A. (2013). The case for participatory evaluation in an era of accountability. *American Journal of Evaluation*, 34(2), 237-253.
- Christensen, Ann-Dorte, and Sune Qvotrup Jensen. "Doing intersectional analysis: Methodological implications for qualitative research." *NORA-Nordic Journal of Feminist and Gender Research* 20, no. 2 (2012): 109-125.
- Collins, P. A., Resendes, S. J., and Dunn, J. R. (2014). The untold story: Examining Ontario's community health centres' initiatives to address upstream determinants of health. *Healthcare Policy*, 10(1): 14.
- Crenshaw, K. (1991). Mapping the margins: Identity politics, intersectionality, and violence against women. *Stanford Law Review*, 43(6): 1241-1299.
- Creswell, J. W., and Miller, D. L. (2000). Determining validity in qualitative inquiry. *Theory Into Practice*, 39(3): 124-130.
- Cutt, J., and Murray, V. V. (2000). *Accountability and effectiveness evaluation in non-profit organizations* (Ser. Routledge studies in the management of voluntary and non-profit organizations, 2). Routledge.
- Darby, S. (2016). Dynamic resistance: third-sector processes for transforming neoliberalization. *Antipode*, 48(4): 977-999.
- DeVault, M. L., and McCoy, L. (2006). Institutional ethnography: Using interviews to investigate ruling relations. *Institutional Ethnography as Practice*, 15, 44.
- Ebrahim, A. (2005). Accountability myopia: Losing sight of organizational learning. *Non-Profit and Voluntary Sector Quarterly*, 34(1): 56-87.
- Eikenberry, A. M. (2009). Refusing the market: A democratic discourse for voluntary and nonprofit organizations. *Non-Profit and Voluntary Sector Quarterly*, 38(4): 582-596.
- Eikenberry, A. M., and Kluver, J. D. (2004). The marketization of the non-profit sector: civil society at risk? *Public Administration Review*, 64(2): 132-140.
- Eisler, R. (2008). *The real wealth of nations: Creating a caring economics*. Berrett-Koehler Publishers.
- Evans, B., Richmond, T., and Shields, J. (2005). Structuring neoliberal governance: The non-profit sector, emerging new modes of control and the marketisation of service delivery. *Policy and Society*, 24(1): 73-97.
- Foucault, M. (1982). The subject and power. *Critical Inquiry*, 8(4), 777-795.
- Furubo, J. E., and Vestman, O. K. (2011). Evaluation for public good or professional power. *Evaluation: Seeking Truth or Power*, 1-35.
- Fursova, J., Bishop-Earle, D., Hamilton, K., and Kranias, G. (2022). 'Participation—with what money and whose time?' An intersectional feminist analysis of community participation. *Community Development Journal*, bsac025.
- Fyfe, N. R. (2005). Making space for "neo-communitarianism"? The third sector, state and civil society in the UK. *Antipode*, 37(3): 536-557.
- Geer, B. W., Maher, J. K., and Cole, M. T. (2008). Managing non-profit organizations: The importance of transformational leadership and commitment to operating standards for non-profit accountability. *Public Performance & Management Review*, 32(1): 51-75
- Genderqueer*. Gender Wiki. (n.d.). Retrieved February 20, 2023, from <https://gender.fandom.com/wiki/Genderqueer>
- Gibson, K., O'Donnell, S., and Rideout, V. (2007). The project-funding regime: Complications for community organizations and their staff. *Canadian Public Administration*, 50(3): 411-436.

- Gilmore, R. W. (2007). In the shadow of the shadow state. *Incite*, 41–52.
- Gore, D., and Kothari, A. (2012). Social determinants of health in Canada: Are healthy living initiatives there yet? A policy analysis. *International Journal for Equity in Health*, 11(1): 1–14.
- Guijt, I. (2010). Exploding the myth of incompatibility between accountability and learning. *Capacity Development in Practice*, 277–291. New York: Routledge
- Guijt, I. (2014). Participatory Approaches, Methodological Briefs: Impact Evaluation 5, UNICEF Office of Research, Florence.
- Guijt, I. and J. Gaventa (1998). Participatory monitoring and evaluation: Learning from change. IDS Policy Briefing. Brighton, UK, University of Sussex.
- Gutierrez, E., Preskill, H., and Mack, K. (2017). Facilitating Intentional Group Learning: A Practical Guide to 21 Learning Activities.
- Hankivsky, O., Grace, D., Hunting, G., Giesbrecht, M., Fridkin, A., Rudrum, S., Ferlatte, O. and Clark, N. (2014). An intersectionality-based policy analysis framework: critical reflections on a methodology for advancing equity. *International Journal for Equity in Health*, 13(1): 1–16.
- Hawk, M. T. (2007). Native organizing before the nonprofit industrial complex. *Incite*, 101–106
- Hodgson, K. (2015). *Governance Models and Approaches*. Ontario Healthy Communities Coalition, HC Link Resource.
- House, E. R. (2006). Democracy and evaluation. *Evaluation*, 12(1): 119–127.
- Kranias, G. (2018). *Participatory Evaluation Toolkit*. Toronto, ON: Health Nexus.
- Kranias, G., and Quinlan, J. (2013). Our journey with evidence-informed practice (EIP) in a community health centre context: building a culture of reflection and collaboration, *OHPE Bulletin*, no 792.
- Larkin, C., and Reimpell, P. (2012). *Conceptualising accountability: An approach to measurement*. Bridging Theory and Practice Research Dissemination Series. Working Paper 2. BBC Media Action.
- Levine-Rasky, C. (2011). Intersectionality theory applied to whiteness and middle-classness. *Social Identities*, 17(2): 239–253.
- Lincoln, Y. S., Guba, E. G. (1985). *Naturalistic inquiry*. Newbury Park, CA: Sage.
- Loyd, J. M. (2014). *Health rights are civil rights: Peace and justice activism in Los-Angeles 1963-1978*. University of Minnesota Press.
- Malena, C., Forster, R., and Singh, J. (2004). Social accountability: An introduction to the concept and emerging practice. Social development papers. *Participation and Development Series, The World Bank*, 76, 1–24.
- Malenfant, J. A., Nichols, N., and Schwan, K. (2019). Chasing funding “to eat our own tail”: the invisible emotional work of making social change. *Canadian Journal of Nonprofit and Social Economy Research*, 10(2).
- McBride, S., and Whiteside, H. (2011). *Private affluence, public austerity: economic crisis & democratic malaise in Canada*. Halifax: Fernwood.
- Mendly-Zambo, Z., Power, L., Khan, A., Bryant, T., and Raphael, D. (2021). Islands of isolation in a modern metropolis: Social structures and the geography of social exclusion in Toronto, Ontario, Canada. *Canadian Journal of Urban Research*, 30(2): 101–118.
- Minkler, M., and Wallerstein, N. (2008). Introduction to CBPR: New issues and emphases in part one: Introduction to community-based participatory research. In Minkler, M., & Wallerstein, N. (Eds.). (2008). *Community-based participatory research for health: From process to outcomes*. John Wiley & Sons, 5–24.
- Model of Health and Wellbeing, Alliance for Healthier Communities, <https://www.allianceon.org/model-health-and-wellbeing>, retrieved on February 19, 2022



- Murray, V., and Tassie, B. (1994). Evaluating the effectiveness of nonprofit organizations. *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 14: 303–324
- Mykhalovskiy, E., and McCoy, L. (2002). Troubling ruling discourses of health: Using institutional ethnography in community-based research. *Critical Public Health*, 12(1): 17–37.
- Nickel, P. M., & Eikenberry, A. M. (2009). A critique of the discourse of marketized philanthropy. *American Behavioral Scientist*, 52(7): 974–989.
- Nitsch, M., Waldherr, K., Denk, E., Griebler, U., Marent, B., & Forster, R. (2013). Participation by different stakeholders in participatory evaluation of health promotion: A literature review. *Evaluation and Program Planning*, 40, 42–54.
- O'Dwyer, B., and Unerman, J. (2008). The paradox of greater NGO accountability: A case study of Amnesty Ireland. *Accounting, Organizations and Society*, 33: 801–824.
- Ontario Healthcare Reporting Standards, 2017.
- Ontario Ministry of Health and Long-Term Care, (2012). Health Analyst's Toolkit. [http://www.health.gov.on.ca/english/providers/pub/healthanalytics/health\\_toolkit/health\\_toolkit.pdf](http://www.health.gov.on.ca/english/providers/pub/healthanalytics/health_toolkit/health_toolkit.pdf).
- Ospina, S., Diaz, W., and O'Sullivan, J. (2002). Negotiating accountability: Managerial lessons from identity-based non-profit organizations. *Non-profit and Voluntary Sector Quarterly*, 31: 5–31.
- Remington, P. L., Catlin, B. B., and Gennuso, K. P. (2015). The county health rankings: rationale and methods. *Population Health Metrics*, 13(1): 1–12.
- Pankaj, V., & Emery, A. K. (2016). Data placemats: A facilitative technique designed to enhance stakeholder understanding of data. *New Directions for Evaluation*, 2016(149): 81–93.
- Patton, M. Q. (2006). Evaluation for the way we work. *Non-profit Quarterly*, 13(1): 28–33.
- Patton, M. Q. (2018). *Facilitating evaluation: Principles in practice* (Vol. 2). Thousand Oaks, CA: Sage.
- Pederson, A., and Machado, S. (2019). Shifting vulnerabilities: Gender, ethnicity/race, and health inequities in Canada<sup>1</sup>. *Staying Alive: Critical Perspectives on Health, Illness, and Health Care*, 199.
- Phillips, S. D. (2003). Voluntary sector-government relationships in transition: Learning from international experience for the Canadian context. *The non-profit sector in interesting times: Case studies in a changing sector*, 17–70.
- Phillips, S. D., and Carlan, V. (2018). On impact: Emerging challenges of evaluation for Canada's non-profit sector. K. Seel (Ed.), *Management of non-profit and charitable organizations in Canada*.
- Phillips, S., and Levasseur, K. (2004). The snakes and ladders of accountability: Contradictions between contracting and collaboration for Canada's voluntary sector. *Canadian Public Administration*, 47(4): 451–474.
- Potvin, L., and Richard, L. (2001). Evaluating community health promotion programmes. *WHO regional publications. European Series*, (92): 213–240.
- Raphael, D. (2006). Social determinants of health: present status, unanswered questions, and future directions. *International Journal of Health Services*, 36(4): 651–677.
- Raphael, D., Bryant, T., Mikkonen, J., and Raphael, A. (2020). *Social Determinants of Health: The Canadian Facts, 2nd Edition*. <https://www.thecanadianfacts.org/>. [https://thecanadianfacts.org/The\\_Canadian\\_Facts-2nd\\_ed.pdf](https://thecanadianfacts.org/The_Canadian_Facts-2nd_ed.pdf).
- Raphael, D., and Bryant, T. (2019). Political economy perspectives on health and health care. In Raphael, D., Bryant, T., & Rioux, M. (Eds.). (2019). *Staying Alive: Critical Perspectives on Health, Illness, and Health Care*, 3rd edn. Toronto, ON: Canadian Scholars' Press Inc, 61–83.

- Raphael, D., Social determinants of health. In Raphael, D., Bryant, T., & Rioux, M. (Eds.). (2019). *Staying alive: Critical perspectives on health, illness, and health care*. Canadian Scholars.
- Rootman, I., and Goodstadt, M. (Eds.). (2001). *Evaluation in health promotion: principles and perspectives* (No. 92). WHO Regional Office Europe.
- Rudman, D. L., Aldrich, R. M., Grundy, J., Stone, M., Huot, S., and Aslam, A. (2017). “You got to make the numbers work”: negotiating managerial reforms in the provision of employment support service. *Alternate Routes: A Journal of Critical Social Research*, 28.
- Schwandt, T. A. (2009). Globalizing influences in the western evaluation imaginary. In K. E. Ryan & J. B. Cousins (Eds.), *The Handbook of Educational Evaluation* (pp. 19–36). Thousand Oaks, CA: Sage.
- Toronto Central Local Health Integration Network. (2014). Retrieved from [www.torontocentrallhin.on.ca](http://www.torontocentrallhin.on.ca)
- Townsend, E. (1996). Institutional ethnography: A method for showing how the context shapes practice. *The Occupational Therapy Journal of Research*, 16(3): 179–199.
- Williams, A. P., and Taylor, J. A. (2013). Resolving accountability ambiguity in non-profit organizations. *Voluntas: International Journal of Voluntary and Non-profit Organizations*, 24(3): 559–580.
- Wilson, S. (2020). *Research is ceremony: Indigenous research methods*. Fernwood publishing.
- Wolch, J. R. (1990). *The shadow state: Government and voluntary sector in transition*. New York: Foundation Center.

### Authors Biography

Julia Fursova, PhD (she/they) is an assistant professor in interdisciplinary leadership studies at Renaissance College, University of New Brunswick. Julia is an immigrant-settler Canadian, a community-based researcher and reflective practice facilitator whose research informs and supports equitable and inclusive action for healthy and sustainable futures. Julia is a cofounder of Transform Practice, a nonprofit worker cooperative bringing together a diverse group of women and nonbinary professionals supporting reflective practice and transformative change.

Gillian Kranias, MES (they/she) is a settler Canadian who contributes to change through design, facilitation, knowledges mobilization, and strategy consulting. Their work draws on decades of “learning through action” with powerful leaders from diverse equity-seeking communities. Gillian currently works as a cofounding member of the nonprofit worker cooperative Transform Practice, and as a community engagement specialist with the Upstream Lab at MAP Centre for Urban Health Solutions. Gillian is author to two practical resources on participatory evaluation: *The Power of Reflection*, and the *Participatory Evaluation Toolkit*.

---

# *Journal of Public and Nonprofit Affairs*

Vol. 10, No. 2

---

## **Understanding Nonprofit Financial Health: Exploring the Effects of Economic Recession and Environmental Factors (2007–2012)**

*Sung-eun Kim – Oakland University*

*Young Joo Park – University of New Mexico*

*Jeongyoon Lee – University of Kentucky*

During an economic recession, the gaps between community service demands and available resources for nonprofits widen. Nonprofits with financial vulnerability cut back on their services or activities when facing a turbulent economic downturn. To make sense of such situations, drawn from organizational ecology theory, we examine the relationships between environmental factors and a nonprofit's financial health and the moderating role of the Great Recession of 2008 on their relationship. Employing IRS 990 and US census data (2007–2012) on counties, our longitudinal analysis finds that: 1) nonprofits' county-level environmental factors, i.e., service demand and available resources, are associated with their financial health; 2) the impact of economic recession on nonprofits' financial health is particularly severe in communities with greater racial diversity; and 3) nonprofits located in communities with more resources are more likely to be financially healthy and are less affected by the economic recession in the long term.

**Keywords:** Nonprofit financial health; Environmental factors; the Great Recession; Service provision.

### **Introduction**

Nonprofits hold considerable societal responsibility to serve community needs, as they deliver public services, promote citizens' social participation, and improve responsiveness to community needs where they reside (Anheier, 2009). However, there have been concerns about the gaps between community needs and nonprofit accessibility. Several studies have found that fewer nonprofits are available in communities with low-income and high poverty (Allard, 2009; Grønbjerg & Paarlberg, 2001; Joassart-Marcelli & Wolch, 2003). The gap may grow significantly during economic recessions, due to increasing needs and decreasing resources for nonprofits' service provision in poor communities, where their responsibilities are especially critical. Since financially healthy nonprofits can fulfill their responsibilities and continue to serve communities during normal and economically difficult times, this study examines the effects of environmental factors, i.e., service demand and resource availability, on nonprofit financial health, and the

Kim, S., Park, Y.J., & Lee, J. (2024). Understanding Nonprofit Financial Health: Exploring the Effects of Economic Recession and Environmental Factors (2007–2012). *Journal of Public and Nonprofit Affairs*, 10(2), 176-192. <https://doi.org/10.20899/jpna.zkcvkj61>

moderating effects of economic recession on the relationship between environmental factors and financial health.

Financial health is critical for nonprofits to operate and deliver services effectively (Bowman, 2011; Marwell & Gullickson, 2013), and it is recognized as a robust indicator that predicts how effectively they pursue their mission and provide programs (Lam & McDougle, 2016; Marwell & Gullickson, 2013). A financially vulnerable nonprofit is likely to cut back on their services when they are under financial shocks (Tuckman & Chang, 1991, p. 445); thereby, they are less likely to meet community needs and survive external economic shocks (Bowman, 2011). Environmental factors greatly influence nonprofits' financial health, as nonprofits are deeply embedded in the communities in which they are located, serve community-specific needs, and rely on external funding sources. Thus, environmental factors like household income and racial diversity affect a nonprofit's financial health (Greenlee & Tuckman, 2007; Lam & McDougle, 2016). At the same time, since a community is embedded in larger societal systems and relies heavily on external funding, an economic recession can reshape community conditions, thus influencing nonprofit financial health.

However, in nonprofit management, studies have rarely systematically explored the relationships among recession, community conditions, and nonprofits' financial health. As Prentice (2016a) argues, the current literature predominantly uses a closed-system approach, in which any social structure is isolated from its environment regarding nonprofits' financial health, and emphasizes intraorganizational capacities. In contrast with the closed-system approach, organizational ecology theory explains how organizational birth, growth, and death are influenced by their broader, dynamic environment. This environment encompasses factors like the number of organizations competing for the same resources as well as socioeconomic and institutional conditions legitimated by other population members. Under the influence of these environmental dynamics, organizations occupying the shared niche space defined by industry or geographic area tend to mimic each other's structures and behaviors, thus adopting similar organizational structures and practices (Carroll, 1984; Hannan & Freeman, 1987, 1989). Thus, this theory suggests the impact that environmental factors and macroeconomic factors have on nonprofits' financial health (Besel et al., 2011; Hannan & Freeman, 1977).

Drawing from organizational ecology theory that highlights the influence of environment on organizations, the environmental selection model, and the legitimizing forces associated with density dependence, we ask: 1) how do environmental factors (i.e., demand for public services and available resources in a county) affect nonprofits' financial health? and 2) how does an economic recession moderate the associations between environmental factors and financial health? We used organizational and county-level data from IRS Form 990 and US Census data from 2007 to 2012 to test how county-level measures of resources and demand affect nonprofit financial health. Our longitudinal analyses support the organizational ecology perspective in showing that a) a nonprofit's financial health is significantly affected by demand for services and the available resources in a county; b) the impact of the Great Recession on nonprofits' financial health is particularly severe in counties with greater racial diversity; and c) nonprofits located in counties with more resources are more likely to be financially healthy and to have been less affected by the Great Recession in the long-term. These findings help nonprofits, community stakeholders, and policymakers identify how socioeconomic and macroeconomic environmental factors affect nonprofits' financial health as well as aid their development of strategies to manage their financial resources effectively and support communities with more demand and less resources during times of economic difficulty.

## **Literature Review**

*Nonprofit financial health and economic recession*

Financial health is a fundamental requirement for nonprofits in fulfilling their missions. It allows a nonprofit to continue to provide goods and services, operate more effectively, and withstand unexpected financial shocks (Bowman, 2011; Hung & Hager, 2019; Tuckman & Chang, 1991). Stable financial resources directly affect nonprofits' ability to provide programs, compensate staff, promote mission awareness (Carroll & Stater, 2009), and secure necessary resources (Lee et al., 2023). However, due to the multifaceted and complex nature of financial management, there is no consensus as to how financial health should be defined and measured. Scholars of nonprofit financial management have defined it differently and measured it with various accounting indicators, focusing on different concepts or dimensions of financial management (Hung & Hager, 2019; Prentice, 2016b). One of the most commonly discussed concepts of nonprofit financial health is vulnerability. Tuckman and Chang (1991) defined a nonprofit organization as financially vulnerable "if it is likely to cut service offerings immediately when a financial shock occurs" (p. 445). The authors argue that an organization can maintain a service offering during financial difficulties if it has adequate equity, diverse revenue streams, greater administrative costs, and a decent size of operating margin. Several studies (Bowman, 2011; Greenlee & Trussel, 2000; Hager, 2001; Hung & Hager, 2019; Keating et al., 2005; Lu et al., 2019; Trussel, 2002) have later focused on nonprofits' financial vulnerability and expanded the prediction model, adding more accounting measures to these four measures, testing them with different data sets, and including factors affecting financial vulnerability. While prior studies have provided mixed results about revenue diversification and administrative costs, scholars generally agree that higher equity ratio and operating margins are positively associated with nonprofits' financial health (Kim, 2017; Kim & Mason, 2022). In this study, we define financial vulnerability as a condition where a nonprofit experiences financial difficulty due to lower operating margins and equity ratios.

Ever since Tuckman and Chang (1991)'s study, researchers have identified a variety of financial indicators to measure nonprofits' financial health. For example, Keating et al. (2005) proposed a new prediction model with 17 accounting measures after examining three corporate and nonprofit prediction models. Bowman (2011) and Lam & McDougale (2016) proposed models that predict financial health in different time dimensions. Several other scholars (Greenlee & Trussel, 2000; Hung & Hager, 2019, 2019; Keating et al., 2005; Lam & McDougale, 2016; Lin & Wang, 2016; Prentice, 2016a; Trussel, 2002; Weikart et al., 2012) have also adopted multiple financial measures to predict nonprofit financial health. This proliferation of measures of financial health is often confusing, since scholars use different accounting measures and interpret them differently in different studies. However, this is unavoidable because financial performance is complex and cannot be captured by a single measure. In addition, accounting measures are multidimensional and can be interpreted differently (Prentice, 2016b).

Nonprofits' financial health is greatly affected by macroeconomic factors. Many nonprofits increasingly face significant challenges to their financial health as they operate in a more complex and turbulent environment. For example, the Great Recession of 2008 put many nonprofit organizations' financial stability to the test, as the recession significantly increased demand for social services and decreased financial resources (Brown et al., 2013; Joseph, 2011; Lin & Wang, 2016). Because nonprofits are typically dependent on external financial resources (e.g., private contributions, government grants, commercial activity, and investment revenue) that are susceptible to economic shock, a large number of nonprofits experienced a dramatic reduction in their financial revenue during the Great Recession of 2008 (Salamon et al., 2009). While struggling with a shortage of necessary resources for service provision, the community demand for public services that nonprofits traditionally provide increased significantly during this recession (Bridgeland et al., 2009; Lin & Wang, 2016). According to the Johns Hopkins Nonprofit

Listening Post Project, more than 70% of Michigan nonprofits reported increasing demand for their services, while 50% experienced a decline in their financial support during the Great Recession (Salamon et al., 2009).

While the Great Recession of 2008 affected the overall nonprofit sector across the nation, the impact seems to be nonuniform. Never (2014) found that nonprofits in a community with a higher minority population and fewer resources significantly decreased their expenditure after the recession. Brown, McKeever, Dietz, Koulis, and Pollock (2013) also reported that nonprofits in poor communities were more likely to cut their services and staff or take other drastic steps to reduce their expenses during the recession. These studies and reports suggest that nonprofits in poor communities are predominantly impacted by economic recession and suffer an increasing imbalance between revenue and expenses. While the effects of macroeconomic factors are generally discussed in the literature, their impact on financial health has been studied as a control variable and has not been systematically examined (Prentice, 2016a).

Specifically, in the current literature, few studies systematically address how community-based environmental and macroeconomic factors simultaneously influence a nonprofit's financial health. Previous studies 1) predominantly focus on community-based environmental factors and ignore macroeconomic effects such as economic recession, 2) rely on a single indicator of nonprofit financial health, and 3) examine only a specific geographic region or service.<sup>1</sup> To meet the societal responsibilities facing turbulent environments, it is vital to understand the effects of an economic recession on nonprofits' financial health in communities with various levels of community needs and resources and to develop financial strategies for coping with challenging economic times and future recessions.

#### *Organizational ecology perspective and factors influencing financial health*

The organizational ecology perspective (Hannan & Freeman, 1987) views organizations as open systems in which they continually interact with their environment to survive, adapt, and grow. From this standpoint, environmental conditions assume a role in selecting organizations deemed most compatible. Concurrently, driven by environmental pressures, organizations mold their structures and practices to harmonize with the ecological environment (niches) where their daily operations unfold. Since organizations are influenced by all environmental factors and conditions, their performance and survival depend upon selection processes and the extent to which they fit with environmental conditions (Galaskiewicz & Bielefeld, 1998). Organizations in the same niche might share a common organizational fate because they experience the same resource constraints and opportunities (Hannan & Freeman, 1977). This perspective has been widely used to explain how the environment in which an organization is located influences organizational outcomes, making a major contribution to the study of population dynamics and organizational mortality (Galaskiewicz & Bielefeld, 1998). Scholars in nonprofit management have also examined the

---

<sup>1</sup> For instance, while Prentice (2016a) explored the effects of GDP (as a macroeconomic factor) on nonprofit financial health, the study was conducted before the recession and did not show how significant economic downturn, spread across the economy, is associated with nonprofit financial health. As we are living in a turbulent economic environment, examining the relationships between financial crisis and nonprofit financial health contributes to understanding how nonprofits cope with and adapt to economic distress. Also, Never (2014)'s work is one of the first studies to examine the relationship between community-based factors and nonprofit financial distress before and after the Great Recession of 2008. It contributes to a better understanding of the impact of this recession on nonprofit financial distress and its geographic variation. However, the analysis is limited to descriptive statistics, and financial distress is only measured by nonprofit expenditure. Last, only a few scholars have studied the effects of environmental factors on nonprofit financial health, and the research is often limited to a specific geographic region or service. For example, Lam and McDougle (2016)'s work is limited to nonprofits in San Diego County, and Knight (2017) studied the impact of the economic recession on education finance but limited to schools in Texas.

effects of environmental factors on nonprofits' founding and mortality rates (Corbin, 1999; Grønbjerg & Paarlberg, 2001b; Kim, 2015; Saxton & Benson, 2005; Twombly, 2003). Recently, some scholars (Guo & Brown, 2006; Lam & McDougle, 2016; Prentice, 2016a) have used this view to explain more short-term organizational performance such as financial health.

Utilizing the organizational ecology perspective, we examine how environmental factors relate to nonprofits' financial health. Specifically, we analyze how service demand and resource availability in niches influence financial health. As organizations compete for various resources (e.g., grants, technology, donations, labors, and customers), their performance or survival depends upon the attributes of the socioeconomic setting in their niches (Baum & Oliver, 1996; Baum & Singh, 1994; Galaskiewicz & Bielefeld, 1998). We also explore how legitimizing forces associated with density dependence shape financial health. Furthermore, we consider the moderating role of the Great Recession, a macroeconomic force reshaping niches by intensifying service demand, constraining funding sources, and augmenting resource competition.

*Environmental factors influencing financial health: Demand for services*

According to organizational ecology theory, organizations must have a good fit with their external environment to survive and thrive. Environmental fit refers to the alignment of an organization's strategies, structures, and resources with the demands of niches (Galaskiewicz & Bielefeld, 1998). Nonprofit organizations, guided by their profound understanding of local community needs, exhibit a distinct commitment to catering to their specific locales. Positioned as problem-solvers for instances of market and government failure, these organizations undertake the role of bridging the gaps between demand and service provision in a community. This multifaceted role involves cultivating public trust through adherence to nondistribution constraints, rectifying inefficiencies inherent in government systems, and precisely targeting services in response to expressed needs (Anheier, 2009; Steinberg, 2003).

Considering these various roles, financial health emerges as a pivotal consideration for nonprofits in fulfilling their mission. However, research indicates a discrepancy between demand for services and available resources. Scholars suggest that communities with high service demands and limited resources might paradoxically witness a scarcity of nonprofits due to the substantial expenses in service provision and the relatively constrained resource pool (Allard, 2009; Never, 2014; Walker & McCarthy, 2010). Examining the effects of demand-side and supply-side determinants on nonprofit sustainability, Valentinov and Vaceková (2015) illuminate that nonprofits frequently encounter obstacles stemming from resource inadequacy, which results in larger gaps between the demand for services and nonprofit service provision. The gaps between the demand for services and resources in a community have been discussed in nonprofit management literature (Bielefeld, 2000; Esparza, 2009). For example, Walker and McCarthy (2010) found that community-based nonprofits in resource-deprived communities operate in a "vicious cycle" because they lack the resources required for survival and service provision. Although nonprofits are expected to represent community needs and improve equitable service provision, demands for services are often overridden by lack of resources in poor neighborhoods (Grønbjerg & Paarlberg, 2001). Thus, nonprofits need to seriously consider whether they have the financial stability to support communities with higher demands.

*Poverty in a community:* Poverty is a key indicator of a community's economic performance and demand for services (Kim, 2015; Saxton & Benson, 2005). Given the critical role of nonprofits as service providers and advocates of community needs, they are expected to have sufficient financial resources to provide social service programs in poor neighborhoods. However, numerous researchers have found fewer nonprofits in poor neighborhoods, meaning that a lower quantity and quality of nonprofit services are available in those communities (Allard, 2009;

Grønbjerg & Paarlberg, 2001; Twombly, 2003). In a study of nonprofits in metropolitan regions in the United States, Bielefeld (2000) also found that communities with higher poverty had fewer human service nonprofits with fewer financial resources, while wealthier communities had a higher number of nonprofits with sufficient financial resources. Regarding its effects on financial health, the literature shows contrasting findings. While some report a significant positive correlation between median household income and financial distress during the Great Recession (Never, 2014), others find no significant relationship between them (Lam & McDougle, 2016; Prentice, 2016a).

The impact of the Great Recession is more severe in communities with higher poverty rates, which increases demand for services and the financial burden on nonprofits. For example, Knight (2016) found that public schools in poor neighborhoods in Texas were disproportionately impacted by this recession in 2008, experiencing greater inequitable funding, staffing cuts, and increased local taxes. Although these studies are limited to specific regions and service fields, we expect that the Great Recession across the nation and service fields will impact poor neighborhoods more. Thus, the following hypotheses are developed:

*H1: Higher poverty levels in a community will be negatively related to a nonprofit's financial health.*

*H1-1: The negative effects of higher poverty levels on financial health will be stronger during the Great Recession.*

*Racial Diversity:* High racial diversity indicates more heterogeneous demands in a community, since diverse population groups seek different types of public services (Corbin, 1999; Grønbjerg & Paarlberg, 2001; Kim, 2015). Since the nonprofit sector serves the heterogeneous demands unfulfilled by the government, more nonprofits are expected to expand public service choices in diversified communities (Salamon, 1987). However, the heterogeneous demands of the community can raise nonprofits' expenses for service provision and increase the financial burden on the nonprofit. Lam and McDougle (2016) found that human service nonprofits located in minority communities in San Diego, California, have lower current- and long-term financial capacity, meaning that they often do not have adequate reserves or savings in the case of an emergency or disruption in funding. However, we still do not understand how racial diversity in a community is associated with nonprofits' financial health in other regions and how the economic recession has affected the relationship between racial diversity and nonprofits' financial health.

This study further examines the effects of racial diversity on nonprofit financial health during economic hardship. The Great Recession of 2008 predominantly impacted minority communities, since communities with higher diversity rates were more vulnerable to high poverty and lower income level (Williams et al., 2013). Nonprofits are expected to provide diverse services for various populations in racially diverse communities. However, Never (2014) found that human service nonprofits in minority communities were more likely to reduce their expenditure after this recession. Lam and McDougle (2016) also found a negative correlation between current- and long-term financial capacity and the minority population among nonprofits in San Diego County. Based on the current literature, we propose that nonprofits in racially diverse communities will be more financially vulnerable, and that the economic recession will further deteriorate nonprofits' financial health in those communities.

*H2: Racial diversity in a community will be negatively related to a nonprofit's financial health.*

*H2-1: The negative effects of racial diversity on financial health will be stronger during the Great Recession.*



*Environmental factors influencing financial health: Resource availability*

*Density of nonprofits:* From the organizational ecology perspective (Hannan & Freeman, 1987), the density of an organization in which an organization operates is an important resource because it relates to institutional and competitive forces. According to ecologists' density dependence theory, a higher number of nonprofits in a niche improves organizational viability and birth rates because of increasing constitutive legitimacy, which improves their social acceptance based on widely shared values and norms (Galaskiewicz & Bielefeld, 1998). Constitutive legitimacy is cognitive and describes the process in which organizations adopt the same form when there is high density of a certain form of organizations in a niche. Also, nonprofits are important social capital or social assets in a community, as they promote cooperation, trust and reciprocity, and norms and belief systems (Putnam, 2000). A greater density of organizations increases the likelihood of collaboration, opportunities for mutual learning, acquisition of resources, and capacity to solve community problems (Berrone et al., 2016). Thus, an increase in density enhances organizational legitimacy and sustainability (G. R. Carroll & Hannan, 1989; Galaskiewicz & Bielefeld, 1998; Hannan & Freeman, 1989).<sup>2</sup>

We also expect that nonprofit density in a community will positively affect a nonprofit's financial health, because this study examines the effects of nonprofit density in a wide range of services in a community rather than in a specific service area. According to Saxton and Benson (2005), the density of organizations in a wide range of industries has positively impacted the founding of nonprofits, because they are not necessarily in direct competition with one another. In addition, not all organizations within a population compete against one another, unless they compete for the same resources (Galaskiewicz & Bielefeld, 1998; Hannan & Freeman, 1977).

However, we postulate that a high density of nonprofits in a community would have negatively affected a nonprofit's financial health during the Great Recession, because economic recession intensifies competition over limited resources while dramatically increasing demand for services. According to the Johns Hopkins Listening Post Project, about 58% of all respondents to the survey indicated that they were experiencing increased competition for financial resources when the recession started (Salamon et al., 2009). Under economic recession, more nonprofits in the same niche might experience greater competition for limited resources, such as grants, donations, staff, volunteers, and community attention. Although greater density enhances constitutive legitimacy and opportunity to acquire more resources, as ecologists argue, competition will significantly increase under economic hardship, ultimately leading nonprofits to become more financially vulnerable due to greater administrative spending to secure resources or respond to economic shock. For example, Harrison and Thornton (2014) found that nonprofits are more likely to spend more money on fundraising as the number of nonprofits increases in a community. Few studies have systemically studied the relationship between density and nonprofits' financial health during the economic recession. Thus, we develop the following hypotheses:

*H3: The density of organizations in a community will have a positive relationship with a nonprofit's financial health.*

*H3-1: The positive effects of density of organizations will be weaker during the Great Recession.*

*Philanthropic Support:* Philanthropic culture, which is a distinctive and unique feature of American society, is an important financial resource for nonprofit organizations, but scholars have noted regional variations in generosity or charitable giving patterns (Bielefeld, 2000; Corbin, 1999; Schneider, 1996; Soskis, 2018; Wolpert, 1988, 1993). For example, Schneider (1996) shows the regional variation of generosity level based on classified political culture developed by Elazar

(1980). Wolpert (1989, 1993) conducted a comprehensive study on regional variation in generosity levels across US cities and found that a regional variation in the amount of private giving to social service nonprofits exists, and that a high level of private donation to nonprofits is associated with a larger nonprofit sector in a community and its financial health. Because nonprofits are locally supported, the level of philanthropy support in a community is an important environmental factor influencing nonprofit financial health. Approximately 85% to 90% of donations are raised and spent locally (Wolpert, 1993), and the level of human service gifts and grants in a community is negatively related to financial vulnerability (Bielefeld, 2000). Based on prior studies, we propose that nonprofits in communities with high amounts of contribution are more likely to be financially healthy.

However, the level of philanthropy donation in a community is also affected by macroeconomic and political factors (Bielefeld & Rooney, 2014), and it is therefore more sensitive to changes in economic and political conditions (Keatin et al., 2005). According to USA Giving 2009, total giving to human services in the United States dropped by 13.5% during the recession (Marx & Carter, 2014). As such, we expect that nonprofits in a community with higher philanthropy donations will be less likely to be financially healthy during the recession.

*H4: Philanthropy donation in a community will be positively related to a nonprofit's financial health*

*H4-1: The positive effects of philanthropy donation on financial health will be weaker during the economic recession.*

*Government Expenditure:* Higher government expenditure positively affects a nonprofit's financial health by increasing financial resources. Since the government provides financial resources to nonprofits delivering public services through contracting and grants, numerous studies support a complementary view of the nonprofit sector and show the positive relationship between government spending and the size of the nonprofit sector (Corbin, 1999; Grønbjerg & Paarlberg, 2001; Lecy & Van Slyke, 2012; Walker & McCarthy, 2010). Since government funding is a stable financial resource for nonprofits, a government with higher expenditure can support nonprofits and improve their financial health. For example, some nonprofits in revenue environments with strong government support, such as public safety and disaster relief or food and nutrition, had a lower rate of financial distress (Never, 2014). Twombly (2003) also found that welfare reform and increased government support have encouraged the growth of human service nonprofits in the United States, where state and local governments are especially responsible for providing public services. The Urban Institute's (2015) study shows that most of the state and local government budgets (61%) are spent on social services, education, and health (*State and Local Expenditures*, 2015). Thus, nonprofits in communities with higher state and local government expenditures will be financially more stable and healthier.

Although nonprofits experience delays in government payment and may lose a contract during economic recession, government funding is relatively more stable than other financial resources, such as private donations (Brown et al., 2013; Salamon et al., 2009). Thus, we propose that nonprofits in a community with higher government expenditure are more likely to be financially healthy.

*H5: Government expenditure in a community will be positively related to a nonprofit's financial health.*

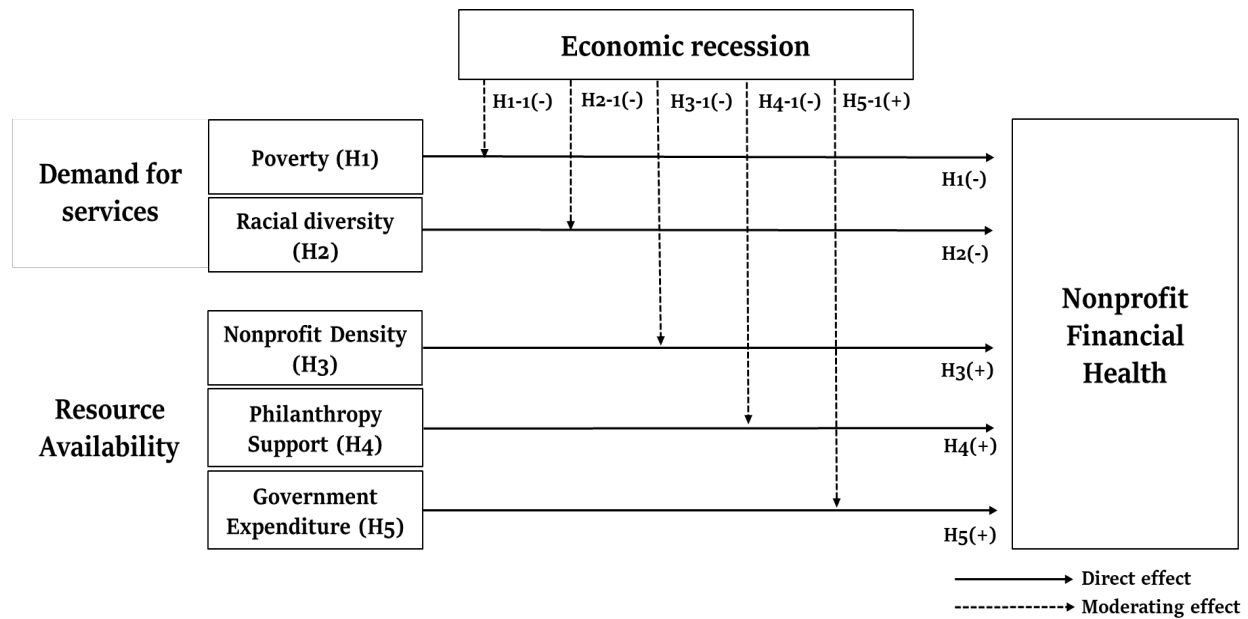
*H5-1: The positive effects of government funding on financial health will be stronger during an economic recession.*

Figure 1 shows the hypothesized effects of community demand for services and resource availability on nonprofit financial health and the moderating effects of economic recession on the relationships between community-based environmental factors and financial health.

**Method**

We examined all 501(c)(3) public charitable nonprofit organizations in the United States using the IRS 990 data set and US Census data ( $N = 74,310$ ). The study years are from 2007 to 2012.

**Figure 1.** Conceptual framework and hypotheses



*Model Specifications*

A panel data analysis has been used to identify the effect of environmental factors on nonprofit financial health and show how the effects change depending on economic conditions. The research question involves a hierarchy of two levels. At the higher level of hierarchy (level 2) are county-related variables,<sup>3</sup> such as poverty and racial diversity. Variables at a lower level of the hierarchy, nonprofit organizations’ characteristics, such as revenue diversification and nonprofits’ age (level 1), are nested within level 2 groups and share in common the effects of level 2 variables. We used varying-intercept hierarchical linear modeling with nonprofit id-fixed effects. HLM allows for nested data structures where smaller units (organizations) are nested within larger units (counties). At the same time, it assesses whether individual nonprofits are systematically different from each other over time (i.e., within variation). We further used clustered standard errors by nonprofits.

*Data*

We combined data sets to test our hypotheses. First, we used the IRS 990 data set for organizational-level data. All tax-exempt organizations whose (1) gross receipts are greater than or equal to \$200,000 or (2) total assets are greater than or equal to \$500,000 are required to submit the form annually (IRS 990 Form Instruction, 2019). Specifically, we used the Core Fiscal Year Trends file maintained by the Urban Institute from 2007 to 2012. Over 250,000

organizations are included in the data set for each year. There are slight variations in the composition of organizations across these years due to the presence of missing values. We restricted our observations to public charitable organizations, using data from all 501(c)(3) organizations. The form reports an organization's financial information and its characteristics, such as address, type of organization, year of formation, mission, and governance.

Second, for environmental variables, we retrieved county-level information from the American Community Survey (ACS) published by the US Census Bureau. Grønbjerg and Paarlberg (2001) argued that county-level data are advantageous because they allow the researcher to capture a broad range of community characteristics, which include demographic, social, political, and economic conditions. Since nonprofits can provide services in multiple cities, many of them are affected by county-based environments. Also, public health and welfare efforts, as well as other public policy planning and its implementation, are organized on a county basis in many states. Thus, studies using county-level data might be more responsive to socioeconomic characteristics. The data set is designed to improve understanding of community changes for public administrators, including local officials, community leaders, and businesses. It includes information on the population, demographic, and socioeconomic conditions of communities in the United States. After merging the data sets, we winsorized our dependent variables, the operating ratio and equity ratio, by capping them at the 1st percentile and 99th percentile values.

## **Variables**

### *Dependent Variables*

We used two major financial health indicators that affect a nonprofit organization's service provision: operating margin and equity ratio<sup>4</sup> (Tuckman & Chang, 1991). First, operating margin is defined as revenue minus expenditures, divided by revenue (Tuckman & Chang, 1991). It is a simple calculation of an organization's surplus (or deficit) standardized by its revenue size. It refers to an organization's surplus (or deficit) for every dollar of revenue, thereby assessing the profitability of an organization's operations. A low or negative operating margin means that an organization has little or no cash surplus to support and maintain a program (Tuckman & Chang, 1991). Previous studies confirm that higher operating margins expand nonprofits' capacity to maintain and improve a program (Hager, 2001; Trussel, 2002; Tuckman & Chang, 1991; Lee et al., 2023). Since a large operating margin provides a nonprofit with funds that can be saved to build equity, it predicts short-term financial health (Bowman, 2011; Tuckman & Chang, 1991). An organization makes a surplus if the measure is greater than zero; it has a deficit if the indicator is less than zero. The accounting measure has been widely used as the efficiency of earnings and short-term sustainability (Prentice, 2016b).

Second, equity ratio is calculated as total assets minus liabilities divided by total assets (Bowman, 2011; Keating et al., 2005; Tuckman & Chang, 1991). This means the value of an organization's assets is free and clear of outside obligations for every dollar asset. According to Tuckman and Chang (1991), equity balances, i.e., assets minus liabilities, are a critical measure of nonprofits' financial health, because they may need to convert these available resources into cash or seek funds from capital markets relying on equity. As such, higher equity balances indirectly allow flexibility for nonprofits' operations during financial crises. Thus, the higher the equity ratio, the greater the organization's ability to finance its activities and pay debts. Equity ratio is often used to predict long-term financial health (Bowman, 2011; Tuckman & Chang, 1991; Lee et al., 2023). The accounting variable is often used as a solvency measure along with total net assets divided by total revenue (Tuckman & Chang, 1991) and total assets minus total liabilities (Keating et al., 2005; Prentice, 2016b).

### *Independent Variables*

We used five independent variables: poverty; racial diversity; density of nonprofits; philanthropy donations; and government expenditure in a county. First, the service demands are measured by the percentage of the population below a county's poverty level. The federal poverty level is adjusted according to family size, but is the same across the states in the United States. Second, the Shannon–Wiener index is widely used to estimate racial diversity in a county. It is based on the degree of uncertainty predicting a random sample related to diversity or rareness (Schilling, 2002; Weaver, 1949). For example, a group that constitutes 1% of the population is twice as rare as one with 10% of the population.<sup>5</sup> Third, the density of nonprofits is estimated as the number of nonprofits per 1000 population in a county using the FIPS code. As a robustness check, we further used density measure estimated as total size of nonprofit assets in a county. Fourth, philanthropy donation is proxied by the aggregated proportion of contribution out of total revenue in nonprofits at the county level. Last, government expenditure is divided by the population in a county. Total government expenditure includes direct expenditure on current operations, interest on debt, assistance and subsidies, insurance benefits and repayments, capital outlay, and intergovernmental expenditures (U.S. Bureau of the Census).

### *Moderating Variable*

As a moderating variable, we used two dummy variables for economic recession: during economic recession and after economic recession. The first indicator, during economic crisis, identifies observations between 2009 and 2010. The second indicator, after economic crisis, includes observations between 2011 and 2012. The omitted category is before crisis, between 2007 and 2008.<sup>6</sup>

### *Control Variables*

We controlled three organizational-level variables and one county-level variable. As an organizational-level characteristic, we first included revenue diversification. Whether an organization takes revenue diversification or concentration strategy has financial health implications (Carroll & Stater, 2009; Chang & Tuckman, 1994; Frumkin & Keating, 2011; Lu et al., 2019). Some scholars argue that revenue diversification improves revenue stability, but others note that an organization's revenue concentration leads to revenue and organizational growth. Second, we included an organization's age, calculated using the year of formation reported in the IRS 990 form, because this is directly related to many of the outcomes in the nonprofit sector, such as reputation, expertise, and financial capacity (Ashley & Van Slyke, 2012; Johansen & LeRoux, 2013). Third, nonprofit subsectors, categorized using National Taxonomy of Exempt Entities (NTEE) codes, are controlled for. Eleven dummy variables (i.e., 12 categories: arts, culture, and humanities; education, higher; education; hospitals; environment; health; human services; international; mutual benefit; public and societal benefit; religion; and unknown) are included in all models. Last, a county's population size is included as a control variable.

## **Findings**

Table 1 summarizes US nonprofit characteristics ( $N = 1,452,098$ ) from 2007 to 2012. These summary statistics present an overall picture of the nonprofit organizations' financial health and related variables. The first measure for dependent variable, operating margin, is on average 0.0323, meaning that a nonprofit makes a profit (i.e., surplus). The second measure for dependent variable, equity ratio, is on average 0.215, implying that a nonprofit owns \$0.25 free and clear of outside obligations for every dollar asset. The descriptive statistics for independent variables are also presented in Table 1. First, on average, 13.95% of a community's population is below the

federal poverty level. Second, an average degree of racial diversity, measured by the Shannon–Wiener index, is 0.819. The index ranges from 0 to 5, and lower values represent a less diverse community. Third, an average nonprofit density in a county is 0.00139, meaning that a county has, on average, 1.39 nonprofits per 1,000 population. Fourth, an average philanthropy support is 24.95, meaning that a nonprofit in a county relies for 24.95% of its revenue on public and private contributions, on average. Fifth, an average government expenditure is 5.725, meaning that a county spends \$5.725 per person on average. The observations are also evenly distributed across years, with 32.22% before crisis, 32.79% during the crisis, and 34.99% after crisis. The summary statistics for the control variables are also presented in Table 1.

**Table 1.** Summary statistics

	Mean	SD	Min	Max
<i>Dependent Variable</i>				
Operating margin	0.0323	0.396	-3.412	1
Equity ratio	0.215	0.462	0	5.260
<i>Independent Variable</i>				
Percent below poverty level*	13.95	5.088	1.800	39.80
Racial diversity*	0.819	0.298	0	1.486
Nonprofit density per 1,000 population*	0.00139	0.000860	0.000185	0.00657
Philanthropy support*	24.95	13.88	1.469	96.64
Government expenditure*	5.725	7.214	0.780	56.31
<i>Moderating Variable</i>				
Before economic crisis†	32.22		0	1
During economic crisis	32.79		0	1
After economic crisis	34.99		0	1
<i>Control Variables</i>				
Population (1,000)*	1,193	1,889	62,971	9,963
Nonprofit age	29.29	16.49	5	120
Revenue diversification	.298	0.289	0	1.2

\* estimated by FIPS code

† “before economic crisis” is an omitted category in the analysis throughout the paper.

We examined the direct effects of county-based environmental factors on nonprofit organizations’ financial health. Table 2 presents two models based on different measures of a nonprofit’s financial health: The operating margin model and the equity ratio model, which focus on short- and long-term financial health perspectives, respectively. Regarding our first hypothesis, we find that a poverty level is positively related to a nonprofit’s equity ratio (see the coefficient on *percent below the poverty level* in equity ratio model = 0.001,  $p$ -value < 0.001). While this finding contrasts with our expectation (not supporting H1), it indicates that a nonprofit located in a poor neighborhood is financially stable in the long run. Also, we tested whether a racial diversity negatively affects a nonprofit’s financial health. Our findings support H2 (see the coefficient on *racial diversity* in the operating margin model = - 0.006,  $p$  < 0.05). The result indicates that a

nonprofit does not generate more revenue through its operations from a short-term perspective, because the nonprofit organization needs to engage in various types of service activity in a racially diverse community. Next, we find that a nonprofit located in a county with high nonprofit density is more likely to be financially healthy in the long run, supporting H3 (see the coefficient on *Nonprofit density* in Equity ratio model = 13.420,  $p < 0.001$ ). This finding highlights the importance of organizational legitimation and supportive networks among nonprofits in the same community for their long-term financial health.

However, regarding the expected positive effect of a county’s philanthropic culture on a nonprofit’s financial health, we do not find any significant results (see the insignificant coefficients on *philanthropy support* in operating margin and equity ratio models), which does not support H4. Our results also show that a county’s public service activities measured by the size of the government’s tax expenditure are negatively associated with a nonprofit’s financial health, which does not support H5 (see the coefficient on *government expenditure* in operating margin model = - 0.001,  $p < 0.01$ ). A nonprofit located in a county with high government expenditure tends to be financially vulnerable.

Before turning to the moderating effects of the economic crisis on the relationship between county-level environmental factors and a nonprofit’s financial health, Table 2 shows that the economic crisis worsens a nonprofit’s financial health (see the coefficient on during economic crisis in operating margin model = -0.043,  $p < 0.001$ , and the coefficient on during economic crisis in equity ratio model = -0.005,  $p < 0.001$ ). This suggests that a nonprofit heavily reliant on external resources for its organizational survival experiences increasingly depleted resources during the economic recession (Bridgeland et al., 2009). Also, the results show that the impact of the recession still significantly affects nonprofits’ financial health after the recession (see the coefficient on during economic crisis in operating margin model = -0.045,  $p < 0.001$ , and the coefficient on during economic crisis in equity ratio model = -0.026,  $p < 0.001$ ). This suggests that the impact of the recession was severe, and that it might take a long time to bring financial health back to pre-recession levels.

**Table 2.** Effects of environmental factors on the financial health of nonprofit organizations.

	Operating margin	Equity ratio
Percent below poverty level	-0.000 (0.000)	0.001*** (0.000)
Racial diversity	-0.006* (0.003)	-0.002 (0.005)
Nonprofit density	1.132 (1.503)	13.420*** (2.992)
Philanthropy support	-0.000 (0.000)	-0.000 (0.000)
Government expenditure	-0.001** (0.000)	0.001 (0.001)
During economic crisis §	-0.043*** (0.001)	-0.005*** (0.001)
After economic crisis §	-0.045*** (0.001)	-0.026*** (0.001)
Revenue diversification	0.014*** (0.001)	-0.116*** (0.001)
Population	-0.000** (0.000)	0.000** (0.000)

Age	-0.001*** (0.000)	0.000 (0.000)
Education, higher‡	0.004 (0.005)	0.112*** (0.006)
Education‡	0.021*** (0.001)	-0.042*** (0.001)
Hospitals‡	0.015*** (0.004)	0.238*** (0.005)
Environment‡	0.024*** (0.002)	-0.054*** (0.002)
Health‡	-0.003* (0.001)	0.043*** (0.002)
Human services‡	-0.012*** (0.001)	0.051*** (0.001)
International‡	-0.005* (0.002)	-0.077*** (0.003)
Mutual benefit‡	0.077*** (0.006)	-0.009 (0.008)
Public and societal benefit‡	0.014*** (0.001)	-0.025*** (0.002)
Religion‡	0.010*** (0.002)	-0.022*** (0.002)
Unknown‡	0.023* (0.010)	-0.035** (0.012)
Constant	0.113*** (0.003)	0.208*** (0.006)
Observations	1,452,098	1,452,098
Number of counties	810	810

Standard errors in parentheses

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$

§ The omitted category is before crisis, between 2007 and 2008.

‡ The omitted category is arts, culture, and humanities.

Note: The results are consistent when we use a nonprofit density measure based on the asset size of an organization.

Given the negative impact of the economic crisis on a nonprofit's financial health, we examine how the economic situation moderates the relationship between environmental factors and a nonprofit's financial health. Specifically, Table 3 indicates that high poverty and racial diversity in a county negatively affect a nonprofit's financial health during the economic crisis. Coefficients on both *during economic crisis \* percent below poverty* and *during economic crisis \* racial diversity* in the operating margin models are negative and significant. However, we cannot find significant effects of poverty rate and racial diversity on equity ratio. Our results support H1-1 and H2-1 only for operating margin, which is a short-term financial measure. During the economic crisis, a nonprofit located in a county with a high poverty rate and high racial diversity tends to be financially vulnerable. Figure 2 presents the predicted values of nonprofit financial health by operating margin and racial diversity of a county. It shows a negative relationship between nonprofits' financial health and a county's racial diversity, regardless of the period. However, the negative relationship is much strengthened during and after the economic recession.

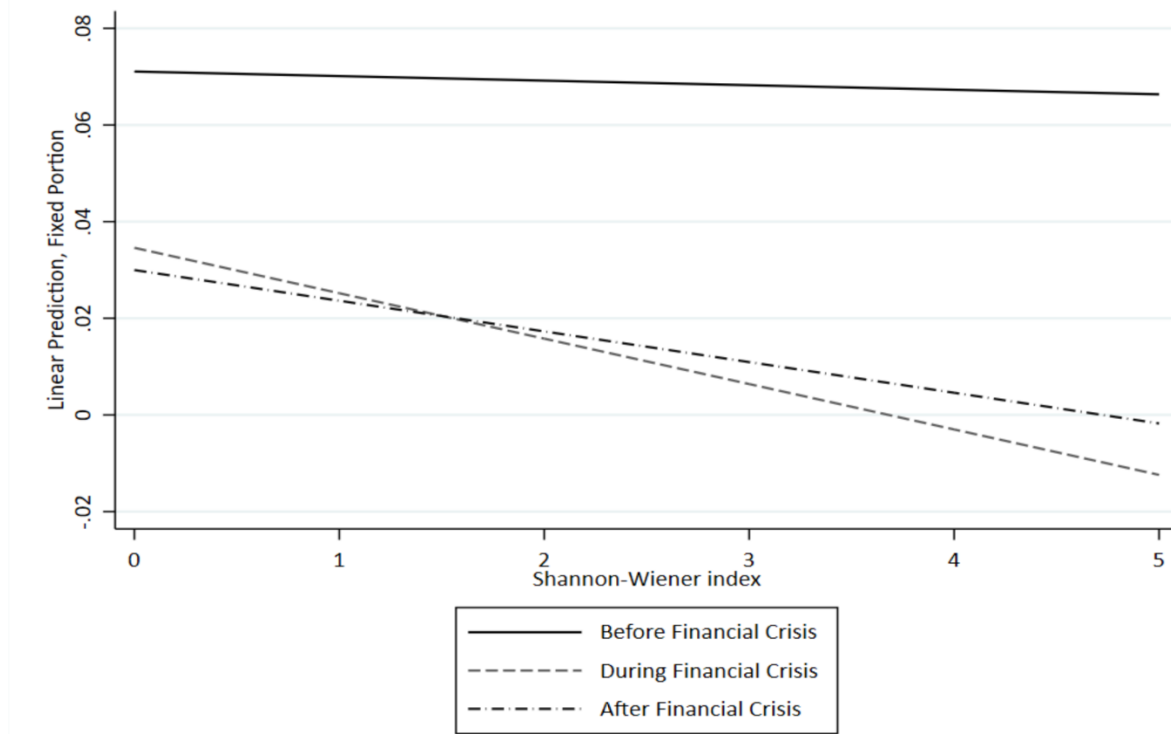
Our findings on the economic crisis's moderating effects on the association between nonprofit density and nonprofit financial health are noteworthy. When facing economic crisis, a nonprofit



becomes financially vulnerable from a short-term perspective when it is located in a county with high nonprofit density (see the coefficient on *during economic crisis \* nonprofit density* in operating margin model = -5.614 in operating margin model,  $p < 0.001$ ). However, a nonprofit located in a county with high nonprofit density is more likely to be financially healthy in the long run during the economic crisis (see the coefficient on *during economic crisis \* nonprofit density* in equity ratio model = 3.593 in equity ratio model,  $p < 0.001$ ). These findings partially support H3-1.

The moderating effect of the economic crisis on the relationship between philanthropy supports is statistically significant but small in the short run. Also, it is not statistically significant in the long run. The results do not support H4-1.

**Figure 2.** Predicted values of the nonprofit financial health measured by operating margin and racial diversity in a community



Last, we did not find any significant moderating effects of the economic crisis on the association between government expenditure and nonprofit financial health (see the insignificant coefficients *during economic crisis \* government expenditure* in operating margin and equity ratio models), which does not support H5-1.

**Table 3.** Moderating effects of the economic crisis on the relationship between socioeconomic environmental factors and nonprofit financial health.

	Operating margin	Equity ratio
Percent below poverty level	0.000 (0.000)	0.001** (0.000)
During economic crisis	-0.032***	-0.008*

	(0.003)	(0.004)
After economic crisis	-0.037***	-0.027***
	(0.003)	(0.004)
During economic crisis§ * percent below poverty	-0.000*	0.000
	(0.000)	(0.000)
After economic crisis§ * percent below poverty	-0.000	0.000
	(0.000)	(0.000)
Racial diversity	-0.001	-0.001
	(0.003)	(0.005)
During economic crisis * racial diversity	-0.008**	-0.003
	(0.003)	(0.003)
After economic crisis * racial diversity	-0.005	-0.003
	(0.003)	(0.003)
Nonprofit density	4.357**	12.206***
	(1.634)	(3.125)
During economic crisis * nonprofit density	-5.614***	3.593*
	(1.161)	(1.434)
After economic crisis * nonprofit density	-5.189***	3.144*
	(1.122)	(1.385)
Philanthropy support	-0.000***	-0.000
	(0.000)	(0.000)
During economic crisis * philanthropy support	0.000***	-0.000
	(0.000)	(0.000)
After economic crisis * philanthropy support	0.000***	-0.000
	(0.000)	(0.000)
Government expenditure	-0.001*	0.001
	(0.000)	(0.001)
During economic crisis * government expenditure	0.000	-0.000
	(0.000)	(0.000)
After economic crisis * government expenditure	0.000	-0.000
	(0.000)	(0.000)
Revenue diversification	0.014***	-0.116***
	(0.001)	(0.001)
Population	-0.000**	0.000**
	(0.000)	(0.000)
Age	-0.001***	0.000
	(0.000)	(0.000)
Education, higher∴	0.004	0.112***
	(0.005)	(0.006)
Education∴	0.021***	-0.042***
	(0.001)	(0.001)
Hospitals∴	0.015***	0.238***
	(0.004)	(0.005)
Environment∴	0.024***	-0.054***
	(0.002)	(0.002)
Health∴	-0.003*	0.043***
	(0.001)	(0.002)
Human services∴	-0.012***	0.051***

	(0.001)	(0.001)
International‡	-0.005*	-0.077***
	(0.002)	(0.003)
Mutual benefit‡	0.077***	-0.009
	(0.006)	(0.008)
Public and societal benefit‡	0.014***	-0.025***
	(0.001)	(0.002)
Religion‡	0.010***	-0.022***
	(0.002)	(0.002)
Unknown‡	0.023*	-0.035**
	(0.010)	(0.012)
Constant	0.106***	0.209***
	(0.004)	(0.006)
Observations	1,452,098	1,452,098
Number of counties	810	810

Standard errors in parentheses

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$

§ The omitted category is before crisis, between 2007 and 2008.

‡ The omitted category is arts, culture, and humanities.

*Note: The results are consistent when we use a nonprofit density measure based on the asset size of an organization, although the coefficients for “during economic crisis \* nonprofit density” and “after economic crisis \* nonprofit density” in the equity ratio model are not statistically significant.*

## **Discussion and conclusion**

Nonprofits’ responsibilities are especially critical during an economic recession because demands for service increases dramatically, while resources for service provision decrease in vulnerable communities. A nonprofit organization’s financial health explains its capability to serve the community and operate its mission, since having sufficient financial resources is a fundamental requirement for adequate service provision and organizational survival (Lee et al., 2023). A nonprofit organization’s financial health is directly affected by macroeconomic environmental factors, such as economic recession, since nonprofits are heavily dependent on external funding and susceptible to economic shock (Brown et al., 2013; Salamon et al., 2009). Environmental factors also influence this, as nonprofits are deeply embedded in the communities in which they are located and reflect the community’s needs and available resources.

However, there has been little empirical evidence of how economic recessions and environmental factors influence the needs and resources of communities and the financial health of nonprofits. Guided by organizational ecology theory, this study makes a significant contribution to the current scholarly literature on nonprofit management, as this is one of the few studies examining how environmental factors and the Great Recession have affected nonprofits’ financial health and how the recession moderated the association between environmental factors and nonprofits’ financial health. Using the data from IRS Form 990 from 2007 to 2012, our longitudinal analysis shows that 1) environmental factors significantly affect nonprofits’ financial health, 2) the Great Recession negatively affected nonprofits’ financial health as a whole, but its impact has been more severe in vulnerable communities with higher racial diversity, and 3) nonprofits located in a community with more resources are more likely to be financially healthy but also to be affected by the Great Recession in the long term.

First, drawing on organizational ecology theory, we contribute to understanding of how environmental factors as ecological forces relate to a nonprofit's financial health using long-term (equity ratio) and short-term measures (operating margin). In our data, the density representing the number of similar organizational species in the community strongly affects a nonprofit's long-term health (measured by equity ratio). These findings imply the cumulative benefits of nonprofit density and constitutive legitimation as a source of long-term financial health (Galaskiewicz & Bielefeld, 1998; Guo & Brown, 2006). However, a community's racial diversity representing more heterogeneous public needs negatively affects a nonprofit's short-term financial health (measured by operating margin), suggesting an increasing financial burden on nonprofits and, potentially, a more significant gap between service demand and service provision in a vulnerable community. These findings generate questions as to how community stakeholders and community-based nonprofit managers can play a role in legitimizing their responsibilities collectively, enhancing the community's shared resources, balancing different service needs by community constituency, or collaborating with other nonprofits to meet varied needs more efficiently.

Second, nonprofit density has heterogeneous effects on financial health through legitimation and competition processes. We expected that the density of nonprofits in a community, as an essential community resource, improves financial health because a large number of nonprofits increases organizational constitutive legitimation, as it strengthens internalized values, social obligations, and nonprofit norms in a community (Galaskiewicz & Bielefeld, 1998; Hannan & Freeman, 1977). However, the density of nonprofits becomes negatively related to financial health during the economic recession. More interestingly, while it hurts short-term financial health (operating margin) during the economic recession, it positively affects the long-term measure of financial health (equity ratio). The results imply that the Great Recession dramatically increased competition among nonprofits over resources and led to their financial vulnerability. Organizational ecologists suggest a curvilinear relationship between density and organizational outcome, but the relationship can be influenced by market structure, such as concentration and distribution of resources (Paarlberg et al., 2018; Seaman et al., 2014), and resource overlap between organizations (Baum & Singh, 1994). This study reports that the effects of nonprofit density may differ depending on macroeconomic conditions and the timeframe of financial measures. Also, the results show that nonprofits in densely populated communities immediately face increasing costs for competition during the economic recession, but that they are more resistant to the economic crisis in the long term.

Third, while the Great Recession, i.e., a macroecological force, greatly affected nonprofits' financial health across the nation, the impact was not uniform. Our findings empirically show how ecological interdependence (i.e., the interaction between community factors and recession), within the broader open systems of nonprofits, determines their health. Specifically, we found that it is more severe for nonprofits in a county with greater racial diversity and higher poverty rates. This suggests that the gap between demand for services and nonprofit service provision becomes more severe in vulnerable communities during economic recession. Also, the effects of the Great Recession on a community with high racial diversity and poverty are only significant to operating margin (short-term financial measure). These findings imply that nonprofits in vulnerable communities do not have a surplus with which to support programs, or the financial capacity to meet the increasing demand for services in response to economic shock. Nonprofits located in minority communities often do not have adequate reserves or savings to respond to an emergency or to weather a disruption in funding (Lam & McDougle, 2016). Thus, a nonprofit in a vulnerable community needs more immediate support or government intervention to maintain its programs and meet an increasing demand for services during economic crisis.

While our findings provide valuable insights into community variation in nonprofit service provision when depending on environmental factors, our study has some limitations. First, equity ratio and operational margin are used to predict nonprofits' financial capability of providing programs and serving communities, but they do not explain actual performance outcomes such as quantity and quality of service provision. In addition, measuring financial health is still in a state of conceptual and methodological disarray despite the efforts of scholars (Bowman, 2011; Prentice 2016; Hung & Hager 2019; de Andres-Alonso et al., 2016). Many concepts are used interchangeably and have not yet been fully validated against reality, such as organizational dissolution, defaults, and failure (Park et al., 2021). Although we have used two basic nonprofit financial health measures, operating margin and equity ratio, readers should be mindful that the concept of financial health has multiple dimensions when applying the results.

Second, we focus on exploring the impacts of nonprofit density measured by number of nonprofits per 1,000 population in a county, drawing insights from prior research that emphasize its role as a pivotal community resource based on density dependence theory (Corbin, 1999; Grønberg & Paarlberg, 2001b; Kim, 2015; Lecy & Van Slyke, 2012). However, this approach is limited in explaining how resource concentration and distribution within a niche can affect competition and, by extension, nonprofits' financial health (Paarlberg et al., 2018; Seaman et al., 2014). Moreover, our chosen metric of counting the number of nonprofits within a community might overlook certain nuances, particularly the size of organizations. Smaller entities that fall below the threshold for IRS reporting, for example, could inadvertently be excluded (Pennerstorfer & Rutherford, 2019). In light of this, adopting an alternative measure—such as quantifying the size of the nonprofit sector in terms of dollar amounts—could potentially yield a deeper understanding of how the nonprofit sector influences organizational financial health.

Another limitation of this research stems from the use of the IRS Form 990 data. Although the recession predominantly impacted smaller nonprofits, the data set only includes nonprofits whose gross receipts are greater than or equal to \$200,000 or whose assets are greater than or equal to \$500,000 annual revenue. Also, the data collected from the organizations using a fiscal year for completing Form 990 have different accounting periods from our definition of three periods (pre-, during, and post-recession), which are based on the calendar year. Finally, while employing counties as a unit of analysis in community research offers certain benefits, it comes with potential limitations. One notable consideration is the inherent variability within counties, encompassing factors such as population density, size, urban–rural makeup, and socioeconomic attributes. Treating counties as uniformly homogeneous or as representing cohesive identities could overlook important intracounty variations.

### **Disclosure Statement**

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

### **References**

- Allard, S. W. (2009). Mismatches and unmet needs: Access to social services in urban and rural America. *Welfare Reform and Its Long-Term Consequence for America's Poor*, 337–368.
- Anheier, H. K. (2009). What kind of nonprofit sector, what kind of society? Comparative policy reflections. *American Behavioral Scientist*, 52(7), 1082–1094.

- Ashley, S. R., & Van Slyke, D. M. (2012). The influence of administrative cost ratios on state government grant allocations to nonprofits. *Public Administration Review*, 72(s1), S47–S56.
- Besel, K., Williams, C. L., & Klak, J. (2011). Nonprofit sustainability during times of uncertainty. *Nonprofit Management and Leadership*, 22(1), 53–65.
- Bielefeld, W. (2000). Metropolitan nonprofit sectors: Findings from NCCS data. *Nonprofit and Voluntary Sector Quarterly*, 29(2), 297–314.
- Bowman, W. (2011). Financial capacity and sustainability of ordinary nonprofits. *Nonprofit Management and Leadership*, 22(1), 37–51.
- Brown, M. S., McKeever, B., Dietz, N., Koulisch, J., & Pollak, T. (2013). The impact of the great recession on the number of charities. *Washington, DC: Urban Institute*.
- Carroll, D. A., & Stater, K. J. (2009). Revenue diversification in nonprofit organizations: Does it lead to financial stability? *Journal of Public Administration Research and Theory*, 19(4), 947–966.
- Carroll, G. R. (1984). Organizational ecology. *Annual Review of Sociology*, 10(1), 71–93.
- Carroll, G. R., & Hannan, M. T. (1989). Density dependence in the evolution of populations of newspaper organizations. *American Sociological Review*, 524–541.
- Chang, C. F., & Tuckman, H. P. (1994). Revenue diversification among non-profits. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 5(3), 273–290.
- Choi, S. (2017). Hospital capital investment during the great recession. *INQUIRY: The Journal of Health Care Organization, Provision, and Financing*, 54, 0046958017708399.
- Corbin, J. J. (1999). A study of factors influencing the growth of nonprofits in social services. *Nonprofit and Voluntary Sector Quarterly*, 28(3), 296–314.
- Elazar, D. J. (1980). Political culture on the plains. *The Western Historical Quarterly*, 11(3), 261–283.
- Esparza, N. (2009). Community factors influencing the prevalence of homeless youth services. *Children and Youth Services Review*, 31(12), 1321–1329.
- Frumkin, P., & Keating, E. K. (2011). Diversification reconsidered: The risks and rewards of revenue concentration. *Journal of Social Entrepreneurship*, 2(2), 151–164.
- Galaskiewicz, J., & Bielefeld, W. (1998). *Nonprofit organizations in an age of uncertainty: A study of organizational change*. Transaction Publishers.
- Greenlee, J. S., & Tuckman, H. (2007). Financial health. *Financing Nonprofits: Putting Theory into Practice*, 315–335.
- Grønbjerg, K. A., & Paarlberg, L. (2001). Community variations in the size and scope of the nonprofit sector: Theory and preliminary findings. *Nonprofit and Voluntary Sector Quarterly*, 30(4), 684–706.
- Guo, C., & Brown, W. A. (2006). Community foundation performance: Bridging community resources and needs. *Nonprofit and Voluntary Sector Quarterly*, 35(2), 267–287.
- Hager, M. A. (2001). Financial vulnerability among arts organizations: A test of the Tuckman-Chang measures. *Nonprofit and Voluntary Sector Quarterly*, 30(2), 376–392.
- Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *American Journal of Sociology*, 82(5), 929–964.
- Hannan, M. T., & Freeman, J. (1987). The ecology of organizational founding: American labor unions, 1836–1985. *American Journal of Sociology*, 92(4), 910–943.
- Hannan, M. T., & Freeman, J. (1989). *Organizational ecology*. Harvard University Press.
- IRS 990 Form Instruction 2019. (n.d.). Internal Revenue Service. <https://www.irs.gov/pub/irs-pdf/i990.pdf>
- Joassart-Marcelli, P., & Wolch, J. R. (2003). The intrametropolitan geography of poverty and the nonprofit sector in Southern California. *Nonprofit and Voluntary Sector Quarterly*, 32(1), 70–96.

- Johansen, M., & LeRoux, K. (2013). Managerial networking in nonprofit organizations: The impact of networking on organizational and advocacy effectiveness. *Public Administration Review*, 73(2), 355–363.
- Joseph, C. (2011). *The impact of the “Great Recession” on the financial resources of nonprofit organizations*.
- Keating, E. K., Fischer, M., Gordon, T. P., & Greenlee, J. S. (2005). Assessing financial vulnerability in the nonprofit sector. Available at SSRN 647662.
- Kim, M. (2015). Socioeconomic diversity, political engagement, and the density of nonprofit organizations in US counties. *The American Review of Public Administration*, 45(4), 402–416.
- Lam, M., & McDougle, L. (2016). Community variation in the financial health of nonprofit human service organizations: An examination of organizational and contextual effects. *Nonprofit and Voluntary Sector Quarterly*, 45(3), 500–525.
- Lecy, J. D., & Van Slyke, D. M. (2012). Nonprofit sector growth and density: Testing theories of government support. *Journal of Public Administration Research and Theory*, mus010.
- Lee, J., Park, Y. J., & Gong, X. (2023). How Do Government Grants Affect Nonprofit Financial Effectiveness? The Mediation Role of Process Accountability. *Administration & Society*, 55(1), 122–157.
- Lee, J., Park, Y. J., & Kim, S. (2023). Volunteers and resource management competencies of nonprofit organizations during challenging times. *Nonprofit Management and Leadership*. 34(1): 107-129.
- Lin, W., & Wang, Q. (2016). What helped nonprofits weather the great recession? Evidence from human services and community improvement organizations. *Nonprofit Management and Leadership*, 26(3), 257–276.
- Lu, J., Lin, W., & Wang, Q. (2019). Does a more diversified revenue structure lead to greater financial capacity and less vulnerability in nonprofit organizations? A bibliometric and meta-analysis. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 30(3), 593–609.
- Marwell, N. P., & Gullickson, A. (2013). Inequality in the spatial allocation of social services: Government contracts to nonprofit organizations in New York City. *Social Service Review*, 87(2), 319–353.
- Marx, J. D., & Carter, V. B. (2014). Factors influencing US charitable giving during the great recession: Implications for nonprofit administration. *Administrative Sciences*, 4(3), 350–372.
- Never, B. (2014). Divergent patterns of nonprofit financial distress. *Nonprofit Policy Forum*, 5, 67–84.
- Osili, U. O., Ackerman, J., & Li, Y. (2019). Economic effects on million dollar giving. *Nonprofit and Voluntary Sector Quarterly*, 48(2), 417–439.  
<https://doi.org/10.1177/0899764018800791>
- Prentice, C. R. (2016a). Understanding nonprofit financial health: Exploring the effects of organizational and environmental variables. *Nonprofit and Voluntary Sector Quarterly*, 45(5), 888–909.
- Prentice, C. R. (2016b). Why so many measures of nonprofit financial performance? Analyzing and improving the use of financial measures in nonprofit research. *Nonprofit and Voluntary Sector Quarterly*, 45(4), 715–740.
- Salamon, L. M. (1987). Of market failure, voluntary failure, and third-party government: Toward a theory of government-nonprofit relations in the modern welfare state. *Journal of Voluntary Action Research*, 16(1–2), 29–49.
- Salamon, L. M., Geller, S. L., & Spence, K. L. (2009). Impact of the 2007-2009 economic recession on nonprofit organizations. *The John Hopkins Listening Post Project*, 14.



[http://www.thewritechoicenetowork.com/images/resources/Economic Recession on Nonprofit Organizations John Hopkins University.pdf](http://www.thewritechoicenetowork.com/images/resources/Economic_Recession_on_Nonprofit_Organizations_John_Hopkins_University.pdf)

- Saxton, G. D., & Benson, M. A. (2005). Social capital and the growth of the nonprofit sector. *Social Science Quarterly*, 86(1), 16–35.
- Schilling, M. (2002). Measuring diversity in the United States. *Math Horizons*, 9(4), 29–30.
- Schneider, J. C. (1996). Philanthropic styles in the United States: Toward a theory of regional differences. *Nonprofit and Voluntary Sector Quarterly*, 25(2), 190–210.
- Soskis, B. (2018). *Analyzing a Localized Giving Culture*.
- State and Local Expenditures. (2015, March 5). Urban Institute. <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/state-and-local-expenditures>
- Trussel, J. M. (2002). Revisiting the prediction of financial vulnerability. *Nonprofit Management and Leadership*, 13(1), 17–31.
- Tuckman, H. P., & Chang, C. F. (1991). A methodology for measuring the financial vulnerability of charitable nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, 20(4), 445–460.
- Twombly, E. C. (2003). What factors affect the entry and exit of nonprofit human service organizations in metropolitan areas? *Nonprofit and Voluntary Sector Quarterly*, 32(2), 211–235.
- Walker, E. T., & McCarthy, J. D. (2010). Legitimacy, strategy, and resources in the survival of community-based organizations. *Social Problems*, 57(3), 315–340.
- Weaver, W. (1949). The mathematics of communication. *Scientific American*, 181(1), 11–15.
- Williams, S., Galster, G., & Verma, N. (2013). The disparate neighborhood impacts of the great recession: Evidence from Chicago. *Urban Geography*, 34(6), 737–763.
- Wolpert, J. (1988). The geography of generosity: Metropolitan disparities in donations and support for amenities. *Annals of the Association of American Geographers*, 78(4), 665–679.
- Wolpert, J. (1993). Decentralization and equity in public and nonprofit sectors. *Nonprofit and Voluntary Sector Quarterly*, 22(4), 281–296.

Sung-eun Kim is an Associate Professor in the Political Science Department at Oakland university. Her research lies in the area of nonprofit management and governance, focusing on nonprofit collaboration, organizational capacity building, and community engagement.

Young Joo Park is an Associate Professor at the School of Public Administration at the University of New Mexico. Her research interests are in public financial management and nonprofit finance.

Jeongyoon Lee is an Associate Professor at Martin School of Public Policy and Administration at University of Kentucky. Her research interests include network governance, nonprofit sustainability, and energy and environmental policy processes.



# Examining Nonprofit Financial Condition and Resiliency Strategies in Response to COVID-19

Trang Hoang – University of Nebraska Omaha

Craig S. Maher – University of Nebraska Omaha

Richard Nkrumah – University of Nebraska Omaha

Nonprofit organizations play a vital role in the provision of services. While many turn to nonprofits for help during a crisis, these organizations often find themselves confronting various funding challenges in uncertain and turbulent times. Previous studies have analyzed how financial indicators predict nonprofit vulnerability; however, there remains important unanswered questions about choices made by nonprofit leaders during periods of financial distress. Using a sample of medium- and small-sized nonprofits in the Midwest, coupled with NCCS Core-File data, this study shows that nonprofit response tactics tend to be attributed to their financial position. Nonprofits with higher levels of financial capacity adopt more strategic response tactics while reducing the need to adopt sporadic cutback measures. This study offers important implications for our understanding of the relationship between nonprofit financial condition, their response strategies, and resiliency.

Keywords: Financial condition, Resilience, Nonprofit, Response strategies, COVID-19

## Introduction

The severe social and economic disruptions caused by the COVID-19 pandemic unleashed various financial and managerial challenges for nonprofits to maintain their services and generate revenues. While scholars have offered descriptions and classifications of response strategies that nonprofits applied in times of crisis, organizational conditions that may affect such reactions are often ignored (Geller et al., 2010; Maher et al., 2020; Mosley et al., 2012; Searing et al., 2021). Our study aims to shed light on how a nonprofit's response strategies are rooted in past managerial decisions with an emphasis on financial management capacities. Even though we assume that nonprofits with more resources can better weather external shocks, studies show that not all financial indicators are equal in helping nonprofits recover from fiscal distress (Searing, 2018; Calabrese, 2013). Therefore, a clearer understanding of what financial ratios work best for nonprofits during an unexpected financial shock is valuable and worthy of study.

In this study, we examine the question: What is the relationship between nonprofit's financial health and response strategies during a period of financial uncertainty? We use survey responses from medium- and small-sized nonprofits in the Midwest in 2020, coupled with National Center

Hoang, T., Maher, C. S., & Nkrumah, R.. (2024). Examining Nonprofit Financial Condition and Resiliency Strategies in Response to COVID-19. *Journal of Public and Nonprofit Affairs*, 10(2), 198-220. <https://doi.org/10.20899/jpna.7889q448>

for Charitable Statistics (NCCS) 2019 Core-File data, to capture the actions taken by managers of nonprofits based on the financial condition of those organizations. Building on the resiliency framework from Searing et al. (2021) and Tuckman and Chang's (1991) measurement of nonprofit financial vulnerability, we provide empirical evidence that nonprofit's response strategies are influenced by pre-existing conditions of nonprofit revenue strategies and financial capacities.

More specifically, we found that greater revenue diversification reduced the probability that nonprofits experienced disruptions to services or supplies while increasing a nonprofit's ability to seek and receive external funding. Additionally, we found that greater operating surpluses, operating reserves, and contributions helped nonprofits reduce budget cuts. Just as important, our study provides empirical evidence to support Maher et al.'s (2020) resiliency-intention-sustain-endurance (RISE) model by demonstrating the differences in nonprofit response strategies in two phases: the immediate or resiliency phase, when the effects of the pandemic were severe and suddenly interrupted nonprofit operations; and the intention-sustain phase, when there was more funding available for nonprofits and the effects of the pandemic had gradually decreased. Our study also suggests that nonprofit financial capacity is a critical piece that connects the RISE model. Higher levels of organizational wealth or net assets and revenue diversification enable nonprofits to move from the reacting/responding stage to adopt more intentional/strategic actions toward sustainability and endurance.

This study makes valuable contributions to the literature by demonstrating the determinants of response strategies with a focus on nonprofit financial condition. We provide empirical evidence connecting financial condition and nonprofit resiliency literature. The nonprofit financial management literature has focused on generating ratios and empirically testing those ratios to assess nonprofits' financial capacity and sustainability, whereas the nonprofit resiliency literature has primarily emphasized qualitative analysis to establish response frameworks and adaptive tactics of nonprofits in the face of revenue crises or financial uncertainty. What remains less understood is the extent to which a nonprofit's financial condition influences its response strategies. This study serves to bridge this gap in the literature. More significantly, the findings from this study can help nonprofit practitioners prioritize their organization management strategies to maximize their organization's resilience during a period of resource scarcity.

## **Literature Review**

### *Nonprofit Financial Vulnerability and Measurement*

Assessing response strategies used by nonprofits during economic downturns requires defining financial vulnerability. Previous studies have provided an array of approaches to measure and predict nonprofit financial vulnerability, from revenue structure analysis to financial ratio analysis, along with the analysis of nonprofit density and resource competition (Caroll & Stater, 2009; Prentice, 2016; Trussel, 2002; Lu, Shon, & Zhang, 2020; Chikoto & Neely, 2014; Lecy & Van Slyke, 2013; Young, 2007; Paarlberg et al., 2018). Tuckman and Chang (1991) were research pioneers interested in the concept of nonprofit financial vulnerability. They offered a comparative analysis where vulnerability was based on quintile rankings and asserted that a nonprofit was financially vulnerable if it was in the lowest quintile of at least two of the following four ratios: equity balance; revenue concentration; administrative costs; and operating margin (Tuckman & Chang, 1991). Tuckman and Chang emphasized that higher rankings in these four ratios should enable nonprofits to withstand financial shocks, revenue fluctuations, and donation instability due to social, economic, or political reasons (1991).

Tuckman and Chang's (1991) research spurred interest in nonprofit financial condition analysis that led to the refinement of measures and an appreciation of the importance of context. For

instance, Thomas and Trafford (2013) proposed a financial exposure index based on the mean score of Tuckman and Chang's ratios and evaluated the financial exposure of nonprofits in the United Kingdom during the pre- and post-2008 economic downturn. Bowman (2011) added a time dimension to the analysis, meaning that fiscal condition/analysis, from his perspective, needs to consider short-term resilience and long-term sustainability. Short-term resilience focuses on liquidity (assets relative to spending) and is relative to assets, whereas long-term sustainability focuses on debt (assets relative to liabilities) and return on assets (the degree to which balances grow) (Bowman, 2011).

### *Nonprofit Adaptive Tactics and Resiliency*

Nonprofit resilience work has evolved from predicting financial survival during stress periods to studying adaptive tactics, coping mechanisms, and response strategies utilized by nonprofits facing financial distress. The concept of resilience generally encompasses an organization's ability to continue operations during adverse periods (Searing et al., 2021; Bowman, 2011). Bowman (2011) highlighted the connection between nonprofit financial condition and reactions to financial uncertainty by emphasizing that financial capacity means "resources that give an organization the wherewithal to seize opportunities and react to unexpected threats" (p. 38).

Research suggests that identifying risks and potential shocks could result from effective financial accountability while encouraging financial sustainability and innovation (Bowman, 2011; Geller et al., 2010). Common nonprofit response strategies include cutting programs, rationing services, retaining volunteers and professional staff, looking into new sources of income, pursuing governmental and corporate funds, postponing service hires, freezing salary and discretionary spending, and/or cutting back on utilities and travel (Alexander, 2000; Boris et al., 2010; Geller et al., 2010; Larson & Carroll, 2023). Engaging in organizational collaborations and partnerships have also been effective in bolstering nonprofit capacity when confronting financial challenges (Austin, 2000; Sowa, 2009; Gazley, 2010; MacIndoe & Sullivan, 2014).

Research by Mosley et al. (2012) and Searing et al. (2021) provide frameworks for studying nonprofits' adaptive tactics and resiliency strategies under revenue scarcity. Focusing on nonprofit managers' responses to the 2007–09 Great Recession, Mosley et al. (2012) found that organization structure and managerial, and financial characteristics influenced a nonprofit's response strategies. Larger organizations with higher levels of capacity allowed nonprofits to be more flexible in selecting their adaptive tactics (Mosley et al., 2012). Searing et al. (2021) couched their analysis in a resiliency framework to study nonprofit response strategies following the 2015–2017 Illinois budget stalemate. Through a series of in-depth interviews and secondary data, the authors identified five overarching themes representing response strategies, including "financial tactics (cashflow monitoring and revenue diversification), human resources (reducing staff), outreach (fundraising), programs and services adjustments, and management and leadership (planning and taking strategic actions)" (Searing et al., 2021, p. 186).

Related to nonprofit's responses to financial and operational interruption caused by the pandemic, Maher and colleagues (2020), proposed a RISE model as a starting point to understand nonprofit adaptation and recovery strategies. According to the RISE model, nonprofits responded to the unexpected financial shock caused by the pandemic in different phases. In the earlier stage of the pandemic, nonprofits adopted "resiliency" or "survival" actions to stay in business. In the intermediate stages, nonprofits implemented response strategies to stabilize operations and their organization's financial condition. In the long term, nonprofits adapted to the emerging environment post-pandemic and implemented strategies to address their financial vulnerability and strengthen their financial endurance.

We, therefore, have a well-developed body of literature focusing on financial metrics and a developing body of work examining nonprofit financial resilience. Regarding the former, there remain unanswered questions about measurement interpretation, for example, is revenue concentration helpful, and are administrative costs a hindrance or positive influence on nonprofit's financial viability? Regarding the latter, the resiliency literature is underdeveloped and a bit more exploratory in nature. While there are anecdotal discussions of the linkage between organization financial capacity and response strategies, the empirical evidence is scant. This study attempts to fill this gap in the literature by merging these areas of study and shed light on the manner and extent to which nonprofit financial condition impacts response strategies discussed in the resiliency literature.

### **Conceptual Framework**

Applying Bowman's (2011) definition of financial capacity to a nonprofit resiliency framework, this research focuses on understanding how nonprofits' financial capacity enabled these organizations to react to an unexpected fiscal shock. We conceptualized the effects of the pandemic as an unexpected fiscal shock that forced nonprofits to adopt different actions or tactics, including operational costs and staffing adjustment, cutback measures, and/or ways to seek additional funding and avoid operational disruptions.

We sought to better understand whether under sudden and unexpected financial shocks, nonprofits responded in a systematic way that is associated with the nonprofit's financial position or whether nonprofits utilized a "garbage can" approach by considering cutback or response options that were convenient? Are nonprofit response tactics path-dependent and rooted in their pre-existing conditions and financial management decisions, or impulsive responses to external shocks? Knowing this, we can offer suggestions to nonprofit leadership on how to strengthen their fiscal resilience.

Applying the financial vulnerability framework, we hypothesize that the intensity of response strategies is associated with financial vulnerability. As financial vulnerability increases, the rational models predict that organizations take more intensive response strategies. We applied Tuckman and Chang (1991) to identify four financial indicators, i.e., equity balance, revenue diversification, administrative costs, and operating margin, to measure nonprofit financial vulnerability. The literature is consistent in reference to equity balances and operating margins, meaning that the lower these ratios, the greater the nonprofit's financial vulnerability, which leads to more intense response strategies. The literature is more divided about the interpretation of revenue diversification and administrative costs in relation to financial vulnerability (e.g., see Mitchell & Calabrese, 2019). However, based on the assumption that revenue diversification can provide nonprofits with greater flexibility to shield against external and sudden financial shocks, we should expect that revenue diversification reduces nonprofit financial vulnerability while promoting organizational stability (Carroll & Stater, 2009; Mayer et al, 2014; Hung & Hager, 2019). We, therefore, hypothesize that greater revenue diversification is associated with lower financial vulnerability, which leads to less need to implement more severe response strategies. We also anticipate that increases in administration costs increase financial vulnerability, therefore leading to a greater need for intense response strategies in times of crisis.

### **Data and Methods**

To empirically examine how nonprofits responded to financial uncertainty, we utilized a set of surveys that gauged their financial status and responses to COVID-19.<sup>1</sup> The first survey was

---

<sup>1</sup> We are grateful to Anne Hindery, director of Nonprofit Association of the Midlands, for sharing their membership survey data.

conducted in March 2020 to capture the early effects of the pandemic. The second and third surveys were conducted in May and October 2020 and helped us to further understand nonprofits' response strategies and the degree to which they adjusted tactics in response to the pandemic. The survey recipients comprise a convenience sample of nonprofit leaders in Nebraska and Iowa. Total responses to the first, second, and third surveys were 505, 232, and 249, respectively. The surveys included responses from different types of nonprofits, including arts, culture and humanities, health, human services, education, and others (environment and animals, international and foreign affairs, mutual and membership, public and societal benefit, and religion-related nonprofits). For this study, the survey responses in May and October were used to better capture financial status and response strategies.<sup>2</sup>

The data analysis for this study was conducted in two steps. First, using the full sample from the two surveys (May and October surveys), we describe the impacts of COVID-19 on the financial condition of these nonprofits. The timing and diversity of nonprofit types in the sample are noteworthy and help to illustrate a more comprehensive picture of operations since not all organizations were affected the same and the timing of the effects varied (including receipt of financial aid). Second, we conducted quantitative analyses to examine the relationship between nonprofit financial condition and their response strategies. For this analysis, the survey responses were combined with the corresponding organizations' Form 990s, obtained from the National Center for Charitable Statistics (NCCS) 2019 core files and the IRS database for tax exempt organization. We, therefore, examined response strategies in 2020 with 2019 nonprofit financial data. The final samples for the quantitative analysis were smaller ( $n = 43-63$ ).<sup>3</sup> Despite these challenges, having data from these two surveys, which cover two different time periods during the pandemic, offered a more in-depth understanding of how nonprofits responded to financial and managerial interruptions during different phases of a fiscal shock.

### *Empirical Model*

The study uses a multivariate *probit* regression model to explore the relationship between a nonprofit's financial capacity and its responses to the impacts of COVID-19:

$$Y_{it} = \beta_0 + \beta_1 OS_{i,t-1} + \beta_2 ER_{i,t-1} + \beta_3 RDI_{i,t-1} + \beta_4 EXP_{i,t-1} + \beta_5 RES_{i,t} + \beta_6 CR_{i,t-1} + \beta_7 DL_{i,t-1} + \beta_8 Size_{i,t} + \beta_9 NS_i + \varepsilon$$

The dependent variables are the probabilities of the strategies that a nonprofit ( $i$ ) chose to enact and whether the nonprofit can apply and secure additional funding in year ( $t$ ). Vectors  $OS_{i,t-1}$ ,  $ER_{i,t-1}$ ,  $RDI_{i,t-1}$ , and  $EXP_{i,t-1}$  indicate a nonprofit's operating surplus, equity ratio, revenue diversification index, and compensation expenses, respectively, in 2019 (one-year prior to the event). Vector  $RES_{i,t}$  presents the information on nonprofit reserves, which is measured using the survey responses in 2020. Control variables include  $CR_{i,t-1}$  and  $DL_{i,t-1}$ , indicating the percentage of contributions in a nonprofit's revenue structure and its debt leverage in year 2019, as well as their budget size ( $Size_{i,t}$ ), and subsector ( $NS_i$ ) based on the survey data.  $\varepsilon$  is the error term. The models are analyzed using probit regression with robust standard error.

<sup>2</sup> Even though the March survey was helpful to understand the immediate impacts of COVID-19 on nonprofits, there are no clear response strategies taken by nonprofits (and government agencies) at that point other than monitoring and evaluating the situation (Maher, Hoang, & Hindery, 2020).

<sup>3</sup> In both surveys, respondents were not required to provide their organization information, but they can voluntarily leave their organization names or contact information. This factor significantly reduced the sample size. We can only identify EIN for organizations that provided their organization name and then used the EIN information to merge the survey data with NCCS-2019 Core File.

### *Variables*

*Dependent variables:* We focus on two survey questions asking nonprofit leaders about their response strategies and their ability to apply for funding. In terms of response strategies, both surveys (May and October) asked, “Has your organization responded, or does it anticipate responding, to the spread of the coronavirus in any of the following ways? (Check all that apply, and/or share additional ways next to “Other”) and offered five choices: “Cancel programs or event,” “Disruption of services to clients and communities,” “Disruption of supplies or services provided by partners,” “Increase staff in absence of volunteer,” and “Budget implications related to strains on the economy.” In this study, we code each response strategy as a binary variable: the variable equals 1 if the option is chosen and 0 otherwise.

In terms of a nonprofit’s ability to apply for funding, the May survey asked, “Did your organization apply for funding under the CARES Act?” and the October survey asked “Did the organization receive funding under the CARES Act?” Five options are offered in both surveys: Paycheck Protection Program (PPP); Economic Injury Disaster Loan (EIDL); Nebraska CARES Act Funding; Douglas County CARES Act Funding (also includes Omaha Community Foundation); and Others.<sup>4</sup> Instead of creating a binary variable for each funding option, we combined the answers and coded the variable 1 if the nonprofit applied/received the funding and 0 otherwise. This coding process enables us to focus on the final outcome of whether a nonprofit was able to secure additional funding during the period of financial distress. Appendix A presents the descriptive statistics for those responses. Overall, we found that cancellation of programs and disruption/cutback of services were the most common response strategies. There was also an increase in the number of nonprofits hiring staff in October, compared with May. Most nonprofits received funding from the PPP and from the state CARES Act funding.

*Independent variables:* Applying the concepts provided by Tuckman and Chang (1991) and Bowman (2011), we operationalized a nonprofit financial condition as a nonprofit’s operating surplus, operating reserves, equity ratio, revenue diversification, and the percentage of compensation to total expenses. The first four indicators measure a nonprofit’s financial condition, and the fifth ratio serves as a proxy for the level of professional capacity because the literature has shown that hiring and retaining professional staff requires improvements to compensation packages (Pallotta, 2009).

*Control variables:* Our empirical model controls for factors that are closely related to nonprofit characteristics and funding structure. Specifically, we control for the contributions as a percentage of total revenues, debt leverage, and budget size. We also include variables for nonprofit’s classification to be consistent with the literature on financial measures and adaptive tactics by nonprofit type.

## **Findings**

### *Descriptive Analysis*

Figure 1 presents the financial impacts of COVID-19 on our sample of nonprofits in May ( $N = 232$ ) and October ( $N = 249$ ) surveys.<sup>5</sup> Most nonprofit managers who responded to the surveys said that

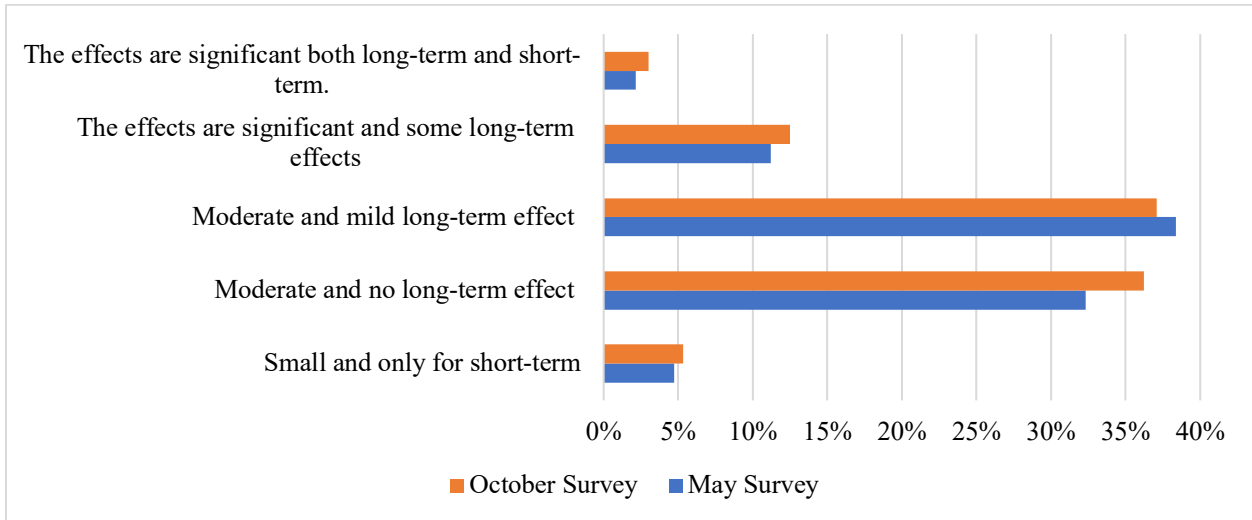
---

<sup>4</sup> In the Others option, respondents can fill in the information of the other funding sources that they applied or received. Some answers include: State of Iowa funds, Iowa CARES Act funding, Indian and Tribal Fund/Health Service, DHHS, and FEMA.

<sup>5</sup> We used the survey data (the number of responses in May and October surveys are 232 and 249 organizations, respectively) to present the financial impacts of COVID-19 on nonprofits in the sample (Figures 1 and 2). The survey data later were merged with NCCS-2019 core file (financial data), and the descriptive statistics of the nonprofit financial condition and operating reserves are based on the sample after the data merge.

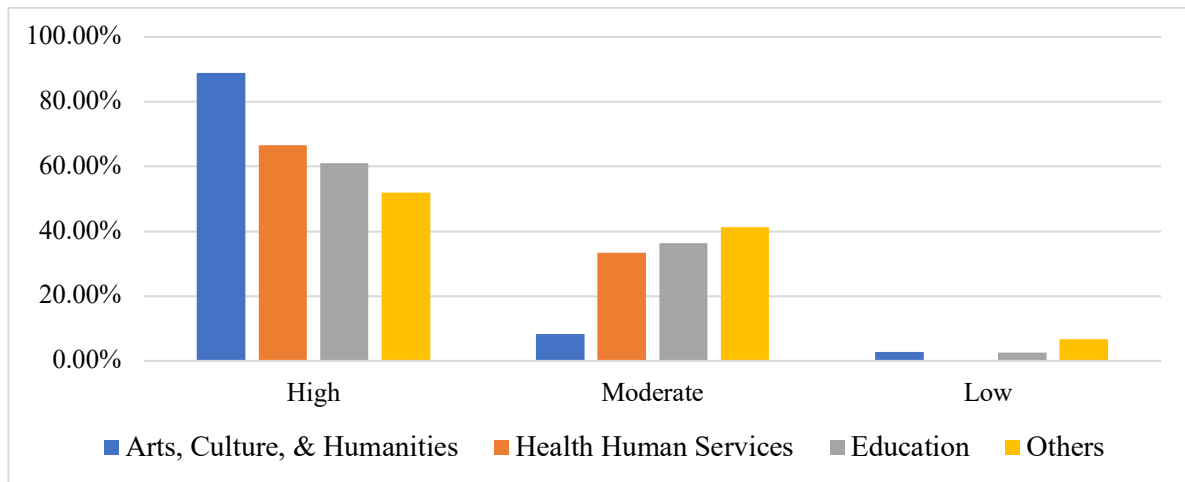
COVID-19 had moderate to significant impacts on their organizations. Approximately one-third of nonprofits reported moderate but no long-term effects, 37%–38% reported moderate and mild long-term financial impacts, 11%–12% reported that the effects were significant and had some long-term effects, and 2%–3% reported that the effects were significant in the short- and long-terms. In terms of nonprofit classification, 88% of arts, cultures, and humanities nonprofits reported severe financial impacts (up from 66% in March). Approximately two-thirds of education and health human service nonprofits reported severe financial impacts in May 2020 (Figure 2).

**Figure 1. Short-term and long-term financial impacts of COVID-19**



In response to the impacts of COVID-19, nonprofits canceled programs/events, cut services to clients or supplies, monitored/adjusted budgets, and increased staff to compensate for fewer volunteers. Most (80%–88%) nonprofits canceled programs/events in May and October. In May, more than 80% of the nonprofits experienced disruptions and budget impacts that forced cutbacks in services or supplies. The percentage of nonprofits reporting budget and service adjustments modestly decreased to 77%–79% in October. In May, approximately 84% of the

**Figure 2. Financial impacts of COVID-19 by subsector**



nonprofits applied for funding and 81% of the nonprofits in the October survey received funding from their local, state, or federal governments. In May, nearly half (42%) of the nonprofits were able to, or planned to, increase staff in the absence of volunteers and the number increased to 54% in October. Table 1 presents the descriptive statistics of the variables.

In terms of financial condition, the average percentage of operating surplus in 2019 for these nonprofits in the May survey was 10.8% and 4.5% in October. Contributions and grants changed little between May (mean values for the May survey was 70.1%) and October (66.9%). The average revenue diversification index<sup>6</sup> was between 0.378 (May) and 0.423 (October). On average, nonprofits showed positive financial solvency with high equity ratios (average value is 78%–86% of total assets) and low debt leverage (between 2%–5% of total assets). More than one-third of expenses were compensation and salaries. From the survey responses, most indicated that their reserves enabled them to continue operations without additional funding. Every one in five nonprofits (20%) said that they maintained one to three months of operating reserves. Approximately one-quarter of respondents (27%, 28%, and 20.4%) said that their operating reserves could last for 4–6 months, 6–12 months, and longer than 12 months, respectively.

**Table 1.** Descriptive Statistics

Variable Description		May Survey		October Survey		Data Source
		Mean	Std. Dev.	Mean	Std. Dev.	
<i>Dependent Variables</i>						
Monitor budget	Binary variable (= 1 if a nonprofit has budget implications/adjustment related to strains on the economy)	0.847	0.362	0.793	0.407	
Cutback from service	Binary variable (= 1 if there is a disruption to service)	0.777	0.418	0.730	0.447	
Cutback from supply	Binary variable (= 1 if there is a disruption to supply)	0.491	0.504	0.428	0.498	Data collected from nonprofit surveys
Apply for funding*	Binary variable (= 1 if a nonprofit applies for external funding)	0.847	0.363	-	-	
Receive funding*	Binary variable (= 1 if a nonprofit received external funding)	-	-	0.810	0.396	
Increase staff	Binary variable (= 1 if a nonprofit hires additional staff in absence of volunteer)	0.424	0.498	0.540	0.502	

<sup>6</sup> To measure nonprofit revenue diversification, we used the revised Hirschman-Herfindahl index measure developed by Yan et al. (2009) and Suyderhoud (1994). Their calculation of revenue diversification ( $RD = \frac{1 - \sum_{i=1}^n R_i^2}{(n-1)/n}$ ), with 0 = total concentration and 1 = total diversification. These methods were also applied by other studies (Carroll & Stater, 2009; Calabrese, 2013).



Independent Variables						
Operating surplus	(Total revenue – Total expenses)/Total revenue	0.108	0.030	0.045	0.035	
Equity ratio	(Total assets – Total liabilities)/Total assets	0.708	0.119	0.795	0.032	
RDI	Revenue diversification index	0.361	0.037	0.395	0.036	NCCS – Core File 2019
Debt leverage	(Bond + mortgage)/ Total assets	0.048	0.017	0.031	0.012	
Compensation	Total compensation expenses/ Total expenses	0.357	0.030	0.323	0.030	
Operating reserves**	Ordinary variable (= 1 if having no reserve; = 2 if having 1–3-month reserves = 3 if having 4–6-month reserves; = 4 if having 6–12-month reserves; and 5 = if having longer than 12 months reserve)	-	-	3.429	1.058	Nonprofit surveys
Control Variables						
Contribution revenue	Total grants and contributions/ Total revenue	0.701	0.039	0.669	0.038	NCCS – Core File 2019
Budget size	Budget Size (= 1 if <\$200,000; = 2 if between \$200,000–\$500,000; = 3 if between \$500,000– \$1,000,000; = 4 if between \$1,000,000 and \$5,000,000; and = 5 if >\$5,000,000)	3.356	1.269	3.015	1.301	
Arts, culture, and humanities	Arts, culture, and humanities nonprofits	0.237	0.429	0.270	0.447	Data collected from the nonprofit surveys
Health & human services	Health human service nonprofits	0.390	0.492	0.476	0.503	
Other nonprofits	Other nonprofits, including education, environment and animals, public and societal benefits and religion-related	0.373	0.487	0.254	0.438	
Observations		59		63		

\* The May survey asked if the nonprofit applied for funding; the October survey asked if the nonprofit received funding.

\*\*Since the NCCS-Core File 2019 data do not provide enough information on restricted vs nonrestricted net assets, it hindered our ability to generate a variable for nonprofit reserves. In this circumstance, we had to rely on a survey question that was only included in October survey.

Our diagnostics indicate that the regression models were not impacted by multicollinearity (Appendix B) and Appendix C presents the *t*-test for the mean values for the sample of nonprofits in the May and October surveys. As the results show, there are no statistically significant differences between the mean values of financial condition in the two surveys. These empirical tests validate the comparability of the May and October surveys, making the sample suitable to examine the question of whether there are differences between nonprofit financial conditions and response strategies as time progresses through the proposed RISE model.

### *Multivariate Regression Analysis*

Tables 2 and 3 present the findings from the probit regression models examining the relationship between nonprofit responses to COVID-19 in the May and October 2020 surveys and their financial conditions in 2019. We start the discussion with the findings from the May survey in Table 2. The most consistent effects in the models are the positive relationship between prior year's compensation expenses and the probability of nonprofits adopting cutback measures to their services and supplies, as well as their need to apply for funding at the onset of the fiscal shock. As compensation expenses to total expenses in 2019 increases by one-standard deviation (approximately 3%), the likelihood that nonprofits cutback services and supplies increases by 7.2% and 13.3% (respectively), the likelihood that nonprofits applied for funding increases by 8.7%, and the likelihood that nonprofits were able to hire more employees in the absence of volunteers at the early stages of the pandemic decreases by 12.9%. We also found that a one-standard deviation increase in revenue diversification in 2019 (approximately 3.7%) was associated with an 18% decrease in the likelihood that nonprofits had to reduce services to their clients/communities early into the 2020 pandemic. In addition, a one-standard deviation increase in equity ratios in 2019 (approximately 11.9%) was positively associated with a 10.1% increase in the likelihood of increasing staffing in the absence of volunteers as the pandemic unfolded.

The results from Table 3 reflect the relationships between nonprofits' responses in 2019 and the influences of financial condition on these strategies in October 2020. In the October survey, we consistently found greater revenue diversification heading into the pandemic positively impacted nonprofits by enabling leadership to secure external funding during the pandemic, whereas it reduced the likelihood that nonprofits had to continue monitoring their budgets or adjusting their budgets in the throes of the pandemic. Additionally, the results support the findings that nonprofit revenue structure and financial condition matters. We found that a one standard-deviation increase in contributions to total revenues (approximately 3.8%) decreased the likelihood of nonprofits monitoring their budgets by half. Conversely, a one standard-deviation increase in debt leverage (approximately 1.2%) was associated with a 10.4% increase in the likelihood of nonprofits monitoring their budgets. Furthermore, operating surpluses and operating reserves in 2019 were negatively associated with the probability of a nonprofit receiving COVID-related funding in 2020. Specifically, a one standard-deviation increase in operating surplus (approximately 3.5%) was associated with an 8.6% decrease in the likelihood of nonprofits receiving fundings.

Even though these results are often at odds in thinking of nonprofit financial capacity and their ability to raising fund, this can be explained by the fact that those nonprofits still have financial buffering through their surplus and reserves, which should affect their need to chase additional government fundings. We also found that increases in operating reserves in 2019 were negatively associated with the probability of nonprofits hiring additional staff during the pandemic. The result may be interpreted as a lack of need for additional fundraising staffing by organizations with higher reserves or potential constraint measures that prevent nonprofits from using the funds for staffing purposes, or to cover overhead costs in general.

**Table 2.** Probit Regression Analysis of Nonprofit's Response Strategies: May Survey

	Cutback from service		Cutback from supply		Apply for funding		Monitor budget		Increase in staff (in absence of volunteer)	
	(1)		(2)		(3)		(4)		(5)	
	$\beta$	Changes in $Pr(Y)$	$\beta$	Changes in $Pr(Y)$	$\beta$	Changes in $Pr(Y)$	$\beta$	Changes in $Pr(Y)$	$\beta$	Changes in $Pr(Y)$
Operating surplus	1.567	0.069*	1.155	0.085	-0.509	-0.021	1.351	0.055	-0.774	-0.060
	(1.060)		(0.782)		(1.316)		(1.119)		(0.975)	
Equity ratio	-0.668	-0.153	0.184	0.054	-3.898	-0.084	-0.071	-0.004	0.321*	0.101**
	(1.111)		(0.129)		(2.439)		(0.149)		(0.148)	
Revenue diversification index	-1.689*	-0.118	-0.716	-0.065	-7.353	-0.100	0.315	0.045	-0.507	-0.049
	(0.948)		(0.783)		(7.918)		(0.928)		(0.755)	
Compensation/total expenses	1.645*	0.072**	1.826**	0.133***	6.350***	0.087***	0.442	0.020	1.698**	-0.129**
	(0.971)		(0.776)		(2.212)		(1.047)		(0.844)	
Contribution/total revenue	-0.501	-0.034	0.273	0.026	-19.424	-0.434	0.190	0.025	-1.276	-0.125*
	(1.190)		(0.882)		(15.768)		(0.969)		(0.872)	
Debt leverage	0.1007	0.003	1.6475	0.067	0.000	-	-0.908	-0.024	-1.603	-0.069
	(2.111)		(1.9409)		(.)		(2.149)		(1.811)	
Budget size	0.428**	0.096***	0.290*	0.114	-0.207	0.014	0.116	0.033	0.238	0.102
	(0.197)		(0.176)		(0.294)		(0.176)		(0.182)	
	1.068	0.083*	-0.612	-0.082	0.000	-	0.000	-	-0.156	-0.022

Arts, cultures, and humanities	(0.661)		(0.514)		(.)		(.)		(0.498)	
Health and human Services	-0.696	-0.082	-0.256	-0.041	1.670	0.042	-0.177	-0.050	-0.062	-0.010
	(0.560)		(0.488)		(1.209)		(0.500)		(0.477)	
Constant	0.392		-1.674		20.702		0.176		0.665	
	(1.228)		(1.097)		(16.414)		(1.073)		(1.091)	
Pseudo <i>R</i> -squared	0.230		0.174		0.534		0.052		0.118	
Wald $\chi^2$	14.535		19.225		15.250		3.647		12.264	
<i>Pr</i> (Wald $\chi^2$ )	0.105		0.023		0.033		0.888		0.199	
Observations	45		43		59		59		59	

---

Robust Standard errors in parentheses, \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . The changes in  $Pr(Y)$  are calculated based on a change in one-standard deviation.

**Table 3.** Probit Regression Analysis of Nonprofit's Response Strategies: October Survey

	Cutback from service		Cutback from supply		Received funding		Monitor budget		Increase in Staff (in absence of volunteer)	
	(1) $\beta$	Changes in $Pr(Y)$	(2) $\beta$	Changes in $Pr(Y)$	(3) $\beta$	Changes in $Pr(Y)$	(4) $\beta$	Changes in $Pr(Y)$	(5) $\beta$	Changes in $Pr(Y)$
Operating reserves	-0.044	-0.013	-0.166	-0.058	-0.488**	-0.115*	-0.646*	-0.133*	-0.437**	-0.145**
	(0.169)		(0.195)		(0.240)		(0.379)		(0.200)	
Operating surplus	1.010	0.074	0.778	0.074	-1.417*	-0.086*	-0.121	-0.006	-0.2116	-0.019
	(0.708)		(0.633)		(0.768)		(0.771)		(0.814)	
Equity ratio	0.945	0.064	0.151	0.013	0.696	0.032	1.911	0.077	0.090	0.007
	(0.758)		(0.796)		(0.804)		(1.392)		(0.839)	
Revenue diversification index	-0.790	-0.069	-0.771	-0.073	1.599*	0.077**	-6.924***	-0.390***	-0.070	-0.006
	(0.856)		(0.812)		(0.854)		(2.547)		(0.747)	
Compensation/total expenses	1.161	0.074	-0.335	-0.027	1.191	0.051	-2.335	-0.108*	0.140	0.011
	(1.026)		(0.904)		(1.207)		(1.520)		(1.015)	
Contribution/total revenue	-0.595	-0.054	-1.605*	-0.152**	1.361	0.069	-10.872**	-0.552***	-0.582	-0.056
	(0.828)		(0.915)		(1.003)		(4.691)		(0.826)	

	-0.184	-0.005	-0.266	-0.009	0.308	0.006	6.723	0.104*	-1.698	-0.055
Debt leverage	(1.934)		(1.785)		(1.909)		(4.212)		(2.141)	
Budget size	0.076	0.028	-0.041	-0.018	0.390*	0.082*	0.627**	0.119***	0.108	0.044
	(0.192)		(0.185)		(0.229)		(0.260)		(0.204)	
Arts, cultures, and humanities	1.311**	0.139***	0.923*	0.140*	-0.205	-0.018	0.447	0.034	0.218	0.031
	(0.590)		(0.544)		(0.534)		(0.591)		(0.523)	
Health and human services	0.499	0.067	1.221**	0.210***	-0.059	-0.006	-1.293**	-0.126**	1.029*	0.156**
	(0.537)		(0.514)		(0.665)		(0.635)		(0.536)	
Constant	-0.415		0.987		-0.605		12.328**		1.104	
	(1.385)		(1.253)		(1.386)		(5.325)		(1.352)	
Pseudo R-squared	0.126		0.140		0.286		0.389		0.193	
Wald $\chi^2$	11.013		10.955		18.974		19.066		16.930	
<i>Pr</i> (Wald $\chi^2$ )	0.357		0.361		0.041		0.039		0.076	
Observations	63		63		63		63		63	

Robust standard errors in parentheses, \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . The changes in *Pr*( $Y$ ) are calculated based on a change in one-standard deviation.

## **Discussion**

Using two rounds of surveys in 2020, our empirical analysis supports the argument that nonprofit response strategies were path-dependent on the organization's financial management decisions. Prior year's financial slack increased nonprofit resilience in coping with an unexpected financial shock while buying the organizations time to adopt more strategic actions toward sustaining operations. Specifically, nonprofits with greater revenue diversification heading into the pandemic had more flexibility in response to a sudden change in the environment. Nonprofits with better perceived and tangible financial sustainability, including greater operating surplus and reserves in 2019, had a buffer to weather operational and financial disruptions in 2020 and avoid the rush to react to external shocks. However, we reckon that there are more nuances between perceived financial capacity and nonprofit response strategies. Depending on the circumstance (sudden nature of the event, the level of uncertainty, the availability of financial aid), nonprofit financial capacity can have different impacts on the strategies that the organization can afford to adopt. In the earlier stage of the pandemic when uncertainty was high, nonprofits focused on temporary strategies such as program cuts. During this period, the prior-year's equity ratio, which is often used to measure nonprofit capacity or the resource required to response to unplanned challenges (Bowman, 2011), appears to have the greatest impact on sustaining nonprofit staff and operations. In the latter stage, when resources become available, nonprofits with diverse revenues tended to adapt quicker to the environment and actively sought additional revenue (government aids or community foundation).

To put the results in context, we acknowledge their limitations. The primary limitation of this study is the availability of data, specifically small sample sizes and the differences in data collection. Our convenience sample of Iowa and Nebraska nonprofits, after merging with the NCCS available financial data, resulted in small samples that limit the study's generalizability. Additionally, recognizing that nonprofit management decisions are context-dependent requires more caution in replicating this study outside the Nebraska–Iowa areas. This study also relied on a subjective measure of nonprofit's reserves. Since it is possible that nonprofit managers could define and measure reserves different from academic studies, this study may suffer a similar selection bias problem as other studies with the same survey instruments (Kim & Mason, 2020), which suggests that nonprofits with stronger reserves were more likely to respond to the survey.

Notwithstanding these limitations, having two waves of surveys in May and October of 2020, and the financial data of those nonprofits prior to the pandemic, the study not only empirically tested the relationship between nonprofit financial conditions and their response strategies but also illustrated the changes in response strategies as the pandemic progressed with less uncertainty and increased funding opportunities (particularly from federal financial assistance programs). Our results provide empirical evidence supporting the RISE framework (Maher et al., 2020) that nonprofits often adopted a “resiliency” strategy first to survive the unexpected financial shock caused by the pandemic by cutting down on programs and services and then started adopting more intentional and strategic response strategies, including funding application, staff hiring in absence of volunteer, and budget monitoring, to sustain their operations.

## **Conclusion**

The nonprofit literature, starting with Tuckman and Chang (1991), focused on expanding the use of financial indicators to predict nonprofit vulnerability. Left unanswered was a key question: How do nonprofits recover and respond to financial stress? Relying on the resilience framework and the nonprofit vulnerability literature, we found that nonprofits' prior-year financial capacity

affected their response strategies, in the sense that nonprofits with higher equity ratios and greater revenue diversification were in a better position to weather financial shocks.

This study is among a few empirical examinations of the underlying factors influencing nonprofit response strategies. Additionally, this study provides empirical evidence to support the resiliency framework (Searing et al., 2021) and RISE model (Maher et al., 2020) while contributing to the existing literature by offering an empirically driven framework for understanding response strategies adopted by nonprofit managers during a period of financial distress. The timing of our surveys, which coincide with two distinct phases of the pandemic, enables us to illustrate the consistency of nonprofit's response strategies with the predictions of the RISE model. Nonprofits often adopted reactive activities in earlier stages of the pandemic, when there was economic, social, and policy uncertainty. The strategies became more intentional when the situation was less turbulent and federal funding gradually became more available. We found that nonprofits' response strategies were more consistent with the "rational model" and path-dependent on their prior financial and management decisions rather than an ad hoc "garbage-can approach."

Furthermore, these results raise questions about the importance of reserves and operating surplus in enabling nonprofits to weather rapid and unexpected changes in the external environment. Our findings demonstrate that fiscal slack heading into a fiscal shock, rather than fiscal leanness, can be more beneficial to nonprofits during crises. Financial reserves and higher equity ratios can benefit nonprofits because they enable nonprofits to respond more strategically while reducing the likelihood that services will need to be cut or supplies disrupted. The sudden and long-lasting effects of this pandemic forced nonprofits to adjust their financial management strategies. Better communication with donors and board members about the pros and cons of having reserves and operating surplus can help raise greater awareness about the financial needs of the organizations. This study also offers a few practical implications for nonprofit managers. In particular, the findings shed light on the role of revenue diversification. In general, nonprofits with greater revenue diversification heading into the pandemic experienced less service disruption (in May), less budget monitoring (October) and greater propensity to apply for funding (October). The results, at first blush, may appear somewhat contradictory, but one way to consider these findings is that, during the peak fiscal shock of COVID-19, revenue diversification was critically important. Having a diverse revenue portfolio enabled these nonprofits to navigate lockdowns imposed by governments and the inhibitions of individuals to attend events. It suggests that nonprofit managers could be more strategic in their thinking about accumulating reserves, developing new revenue sources and/or increasing fundraising during the normal or good operation periods to increase organization's capacity and preparedness for the next crisis.

These results also suggest consistency in budget adjustments to sustain service delivery/programming. For instance, as noted above, the pursuit of grants by nonprofits to mitigate fiscal shocks requires staffing; therefore, only nonprofits with the requisite administrative capacity had the luxury of pursuing federal and state aids to counter the fiscal damage caused by COVID-19. Finally, this study encourages re-evaluating some of the nonprofit "proverbs" such as "fiscal leanness." Heading into a fiscal crisis, criteria such as avoiding operating surplus or accumulating reserves could hinder nonprofits' ability to react to external fiscal shocks. More comprehensive management strategies that consider different aspects of nonprofit's financial capacity and internal conditions, not the current one-size-fits-all approach, can be helpful to not only increase nonprofit efficiency but also their financial sustainability. Indeed, this pandemic has caused many challenges for nonprofits, but it also provides an opportunity for nonprofits managers and stakeholders, as well as researchers in the field, to reflect on some of the "proverbs," including organizational capacity and responses strategies to build stronger foundations for financial sustainability.



## Disclosure statement

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

## References

- Alexander, J. (2000). Adaptive strategies of nonprofit human service organizations in an era of devolution and new public management. *Nonprofit Management and Leadership*, 10(3), 287-303. <https://doi.org/10.1002/nml.10305>
- Austin, J. E. (2000). Strategic collaboration between nonprofits and businesses. *Nonprofit and Voluntary Sector Quarterly*, 29(1\_suppl), 69-97. <https://doi.org/10.1177/0899764000291S004>
- Boris, E. T., de Leon, E., Roeger, K. L., & Nikolova, M. (2010). Human service nonprofits and government collaboration. *Washington, DC: Urban Institute*, 1-37.
- Bowman, W. (2011). Financial capacity and sustainability of ordinary nonprofits. *Nonprofit Management and Leadership*, 22(1), 37-51. <https://doi.org/10.1002/nml.20039>
- Calabrese, T. (2013). Running on empty: The operating reserves of US nonprofit organizations. *Nonprofit Management and Leadership*, 23(3), 281-302. <https://doi.org/10.1002/nml.21064>
- Carroll, D. A., & Stater, K. J. (2009). Revenue diversification in nonprofit organizations: Does it lead to financial stability? *Journal of Public Administration Research and Theory*, 19(4), 947-966. <https://doi.org/10.1093/jopart/mun025>
- Chikoto, G. L., & Neely, D. G. (2014). Building nonprofit financial capacity: The impact of revenue concentration and overhead costs. *Nonprofit and Voluntary Sector Quarterly*, 43(3), 570-588. <https://doi.org/10.1177/0899764012474120>
- Gazley, B. (2010). Linking collaborative capacity to performance measurement in government–nonprofit partnerships. *Nonprofit and Voluntary Sector Quarterly*, 39(4), 653-673. <https://doi.org/10.1177/0899764009360823>
- Geller, S. L., Salamon, L. M., & Mengel, K. L. (2010). Museums and other nonprofits in the current recession: A story of resilience, innovation, and survival. *Journal of Museum Education*, 35(2), 129-140.
- Hung, C., & Hager, M. A. (2019). The impact of revenue diversification on nonprofit financial health: A meta-analysis. *Nonprofit and Voluntary Sector Quarterly*, 48(1), 5-27. <https://doi.org/10.1177/0899764018807080>
- Kim, M., & Mason, D. P. (2020). Are you ready: Financial management, operating reserves, and the immediate impact of COVID-19 on nonprofits. *Nonprofit and Voluntary Sector Quarterly*, 49(6), 1191-1209. <https://doi.org/10.1177/0899764020964584>
- Larson, S. & Carroll, D. (2023). Now you're exempt, now you're not: Property taxation of assisted living facilities. *Public Budgeting and Finance*. 43(1): 3-20. <https://doi.org/10.1111/pbaf.12317>
- Lecy, J. D., & Van Slyke, D. M. (2013). Nonprofit sector growth and density: Testing theories of government support. *Journal of Public Administration Research and Theory*, 23(1), 189-214. <https://doi.org/10.1093/jopart/mus010>
- Lu, J., Shon, J., & Zhang, P. (2020). Understanding the dissolution of nonprofit organizations: A financial management perspective. *Nonprofit and Voluntary Sector Quarterly*, 49(1), 29-52. <https://doi.org/10.1177/0899764019872006>

- MacIndoe, H., & Sullivan, F. (2014). Nonprofit response to financial uncertainty: How does financial vulnerability shape nonprofit collaboration. *Journal of Management and Sustainability*, 4(3), 1-15. <http://dx.doi.org/10.5539/jms.v4n3pl>
- Maher, C. S., Hoang, T., & Hindery, A. (2020). Fiscal responses to COVID-19: Evidence from local governments and nonprofits. *Public Administration Review*, 80(4), 644-650. <https://doi.org/10.1111/puar.13238>
- Mayer, W. J., Wang, H. C., Egginton, J. F., & Flint, H. S. (2014). The impact of revenue diversification on expected revenue and volatility for nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, 43(2), 374-392. <https://doi.org/10.1177/0899764012464696>
- Mitchell, G. E. & Calabrese, T. D. (2019). Proverbs of nonprofit financial management. *American Review of Public Administration*, 49(6), 649-661. <https://doi.org/10.1177/0275074018770458>
- Mosley, J. E., Maronick, M. P., & Katz, H. (2012). How organizational characteristics affect the adaptive tactics used by human service nonprofit managers confronting financial uncertainty. *Nonprofit Management and Leadership*, 22(3), 281-303. <https://doi.org/10.1002/nml.20055>
- Paarlberg, L. E., An, S. H., Nesbit, R., Christensen, R. K., & Bullock, J. (2018). A field too crowded? How measures of market structure shape nonprofit fiscal health. *Nonprofit and Voluntary Sector Quarterly*, 47(3), 453-473. <https://doi.org/10.1177/0899764018760398>
- Pallotta, D. (2009). *Uncharitable: How restraints on nonprofits undermine their potential*. Medford, MA: Tufts University
- Prentice, C. R. (2016). Understanding nonprofit financial health: Exploring the effects of organizational and environmental variables. *Nonprofit and Voluntary Sector Quarterly*, 45(5), 888-909. <https://doi.org/10.1177/0899764015601243>
- Searing, E. A. (2018). Determinants of the recovery of financially distressed nonprofits. *Nonprofit Management and Leadership*, 28(3), 313-328. <https://doi.org/10.1002/nml.21296>
- Searing, E. A., Wiley, K. K., & Young, S. L. (2021). Resiliency tactics during financial crisis: The nonprofit resiliency framework. *Nonprofit Management and Leadership*, 32(2), 179-196. <https://doi.org/10.1002/nml.21478>
- Sowa, J. E. (2009). The collaboration decision in nonprofit organizations: Views from the front line. *Nonprofit and Voluntary Sector Quarterly*, 38(6), 1003-1025. <https://doi.org/10.1177/0899764008325247>
- Snyderhoud, J. P. (1994). State-local revenue diversification, balance, and fiscal performance. *Public Finance Quarterly*, 22(2), 168-194. <https://doi.org/10.1177/109114219402200202>
- Thomas, R., & Trafford, R. (2013). Were UK culture, sport and recreation charities prepared for the 2008 economic downturn? An application of Tuckman and Chang's measures of financial vulnerability. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 24(3), 630-648. <https://doi.org/10.1007/s11266-012-9273-1>
- Trussel, J. M. (2002). Revisiting the prediction of financial vulnerability. *Nonprofit Management and Leadership*, 13(1), 17-31. <https://doi.org/10.1002/nml.13103>
- Tuckman, H. P., & Chang, C. F. (1991). A methodology for measuring the financial vulnerability of charitable nonprofit organizations. *Nonprofit and voluntary sector quarterly*, 20(4), 445-460. <https://doi.org/10.1177/089976409102000407>
- Yan, W., Denison, D. V., & Butler, J. S. (2009). Revenue structure and nonprofit borrowing. *Public Finance Review*, 37(1), 47-67. <https://doi.org/10.1177/1091142108321239>

Young, D. R. (Ed.). (2007). *Financing nonprofits: Putting theory into practice*. Rowman Altamira.

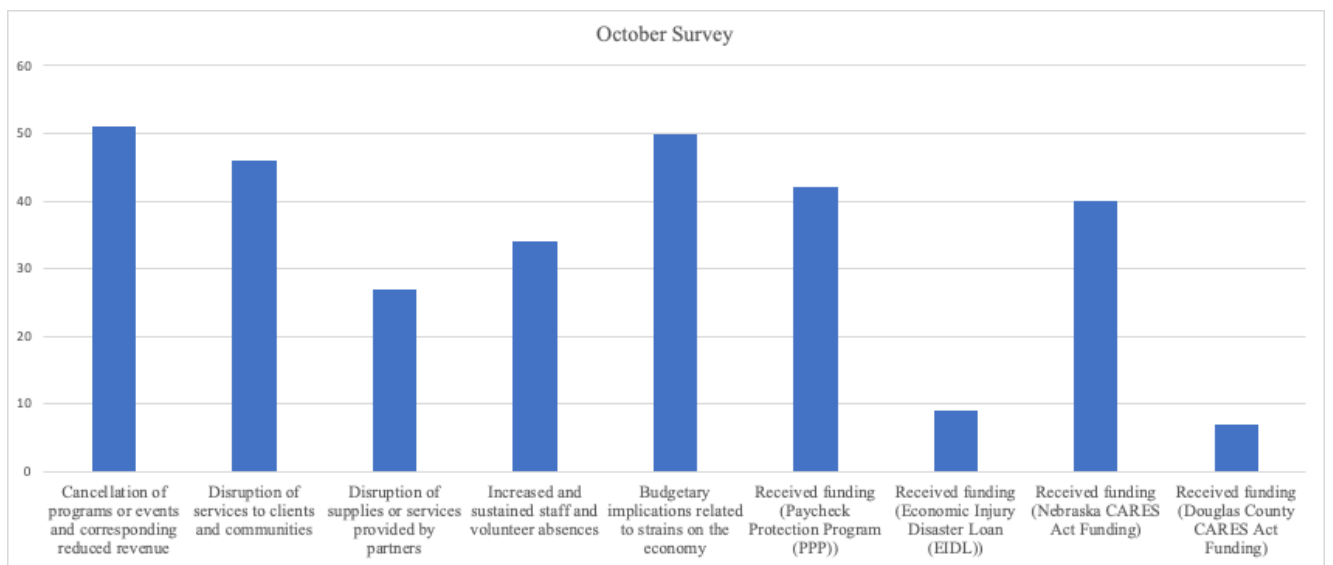
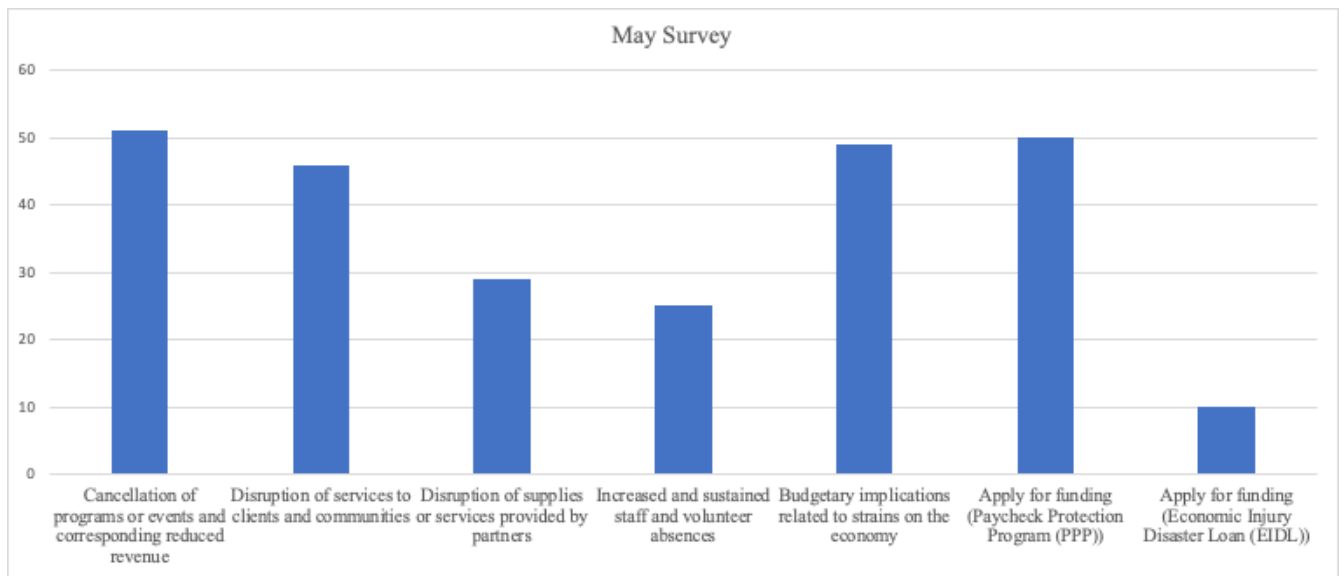
### **Author Biographies**

**Trang Hoang** is an associate professor in the school of public administration, University of Nebraska at Omaha, where she teaches graduate-level courses in public and nonprofit budgeting, human resources management, and research methods. Her primary research interests include public pension, municipal fiscal health, and nonprofit financial management.

**Craig S Maher** is co-editor of the *Public Finance* journal and director of the Nebraska state and local government finance lab at the University of Nebraska at Omaha. He recently co-authored *Understanding municipal fiscal health: a model for local governments in the USA*. ORCID: <https://orcid.org/0000-0001-5562-3473>

**Richard Nkrumah** is a current PhD candidate at the school of public administration, University of Nebraska at Omaha. His research interests include public budgeting and finance, technology in government, and public policy. ORCID: <https://orcid.org/0000-0003-0957-6316>

**Appendix A.** Descriptive Statistics of Nonprofit Response Strategies



**Appendix B.** Correlation Coefficients of Variables in the Models

**May Survey**

	Operating Surplus	Equity Ratio	Revenue Diversification Index (RDI)	Compensation /Total expenses	Contribution/ Total revenue	Debt Leverage	Budget Size	Arts, Cultures, & Humanities	Health & Human Services
Operating Surplus	1.000								
Equity Ratio	0.247	1.000							
RDI	-0.044	-	1.000						
Compensation	-0.033	0.062 0.122	-0.082	1.000					
Contribution	0.235	0.293	-0.476	0.001	1.000				
Debt Leverage	-0.188	-	0.014	-0.011	-0.605	1.000			
Budget Size	-0.116	0.362 -0.181	0.073	0.291	-0.275	0.337	1.000		
Arts, Cultures, & Humanities	0.164	0.169	0.333	-0.082	0.006	-0.224	-0.157	1.000	
Health & Human Services	-0.186	0.102	-0.212	0.236	0.028	0.189	0.381	-0.445	1.000

**October Survey**

	Operating Reserves	Operating Surplus	Equity Ratio	Revenue Diversification Index (RDI)	Compensation /Total expenses	Contribution/ Total revenue	Debt Leverage	Budget Size	Arts, Cultures, & Humanities	Health & Human Services
Operating Reserves	1.000									
Operating Surplus	0.322	1.000								
Equity Ratio	0.244	0.211	1.000							
RDI	0.15	-0.090	0.082	1.000						
Compensation	-0.383	-0.086	-0.168	-0.136	1.000					
Contribution	0.136	0.208	0.186	-0.449	-0.058	1.000				
Debt Leverage	-0.219	-0.035	-0.547	-0.112	0.198	-0.323	1.000			
Budget Size	-0.215	-0.161	-0.348	0.046	0.493	-0.230	0.269	1.000		
Arts, Cultures, & Humanities	-0.077	-0.228	0.045	0.048	-0.313	-0.063	-0.171	-0.173	1.000	
Health & Human Services	-0.056	-0.020	-0.057	-0.231	0.291	0.172	0.252	0.406	-0.579	1.000

**Appendix C.** T-test results

<b>Variables</b>	<b>Mean</b>	<b>Mean</b>	<b><i>Pr</i>( <i>T</i>  &gt;  <i>t</i> )</b>
	<b>(May survey)</b>	<b>(October survey)</b>	<b>(<i>H</i><sub>a</sub>: diff != 0)</b>
Operating Surplus	0.109	0.045	0.184
Equity Ratio	0.708	0.795	0.466
RDI	0.360	0.396	0.495
Debt Leverage	0.048	0.031	0.398
Compensation	0.357	0.323	0.429
Contribution Revenue	0.701	0.669	0.557
Budget Size	3.396	3.015	0.103

---

## *Journal of Public and Nonprofit Affairs*

Vol. 10, No. 2

---

# **Commitment to Place as Motivation for Citizen-Based Watershed Collaboration: BIMBY Effect**

*Sindhu Weber – Auburn University*

*John C. Morris – Auburn University*

*Kelly A. Krawczyk – Auburn University*

*Luisa Diaz-Kope – University of North Georgia*

A growing literature in citizen-based collaboration extols the many virtues of collaboration to address complex public problems. Little attention has been paid, however, to the underlying motivation for citizen participation. Drawn from three case studies of citizen-based environmental collaborations, this paper examines the motivations of citizens to engage in collaboration. The research suggests that a longstanding commitment to “place” is an important driver for collaboration. The findings of this paper can assist citizen-based environmental collaborative groups to identify ways to more effectively engage citizens in local collaborative efforts.

Keywords: Collaboration, Motivation, Watershed restoration, Social capital

Government agencies have been the primary managers of consensus-based environmental collaborations. Substantial research exists that examines why environmental collaboration occurs, along with the process itself, although that research generally addresses government organized collaborations (see, for example, Sabatier et al., 2005; Leach, 2006; McGuire, 2006), and still other research addresses organization motivation for collaboration (see Diaz-Kope & Morris, 2019). A different type of collaborative approach has been developed and used frequently in recent years. These collaborations are organized, led, and managed by grassroots organizations established specifically to address a particular set of environmental problems within limited geographic boundaries.

To date, no clear, research-based understanding has been developed as to how the motivation, processes, strategies, and institutional development for these grassroots collaborations differ from government-led collaborations. Social capital (Lake & Huckfeldt, 1998; Putnam, 2000) appears to be an important element for collective action and institutional performance in collaborative efforts (Adger, 2003). The process of developing the social capital, trust, and willingness to civically engage is important because, whereas government-organized collaborations begin the process with some level of existing social capital, grassroots-organized collaborations generally start with little social capital. Heightened levels of politically relevant

Weber, S., Morris, J. C., Krawczyk, K. A., & Diaz-Kope, L. (2024). Commitment to Place as Motivation for Citizen-Based Watershed Collaboration: BIMBY Effect. *Journal of Public and Nonprofit Affairs*, 10(2), 221-238. <https://doi.org/10.20899/jpna.qvhqm939>



social capital tend to enhance the likelihood of continued participation by members of a collaborative process and increase the opportunities for success. Grassroots collaborations must develop that social capital and establish themselves as credible participants in the policy process. It is important to learn more about how grassroots organizations, beginning with none of the legitimacy of government-organized collaborations, develop and maintain the social capital that is most likely a necessary condition for success in environmental collaborations, particularly voluntary collaborations.

This paper examines an important underlying concept that provides individuals the motivation to join in collaborative efforts to protect watersheds. This motivation is rooted in a combination of social capital and a commitment to a particular geographic place. What motivates individual citizens to participate in local grassroots efforts to restore, protect, and manage watersheds? This research is drawn from three case studies conducted in 2012 as part of a more comprehensive examination of local grassroots environmental collaboration (Morris et al., 2013). Two of the three cases, i.e., Lynnhaven River NOW and the Nansemond River Preservation Alliance, rely heavily on citizen participation to further their mission. The third case, the Elizabeth River Project, relies more heavily on organizational actors, but the motivations of the individuals within the organizations are, at their root, quite similar in nature. If our reasoning is correct, we should be able to detect a consistent theme of “commitment to place,” along with indications of strong social capital, in our data. We begin this paper with a discussion of social capital, followed by a discussion of the central concept of the paper (BIMBY, or **B**ecause **I**t’s **M**y **B**ack **Y**ard), followed by a brief discussion of the study methods employed in the paper. The focus then turns to a presentation and analysis of the data from three case studies and ends with concluding thoughts about the viability of the concept for theory and practice.

### **Social Capital as the Motivation for Collaboration**

The literature on social capital underscores the importance of social relationships and their implications for the formation and effectiveness of social structures (see Bourdieu, 1991; Coleman, 1988; Putnam, 2000; Siisiainen, 2003). Theoretical perspectives of social capital are attributed to the works of Bourdieu, Coleman, and Putnam (Tzanakis, 2013). While some of the tenets of social capital overlap across the three perspectives, underlining ideologies differ. For example, Bourdieu takes a market perspective on social capital. He attributes economic profits as the principal motivation for actors to engage in linking to networks (see Bourdieu, 1986; Tzanakis, 2013). In this regard, Bourdieu views social capital as a “utility-maximizing” strategy to control capital and profit.

In contrast, Coleman (1988) views social capital as a collective resource that is *embedded* in social structures, which is evident as a result of the experiences and interactions among participants. Coleman (1988, p. S98) also states that social capital “...is not lodged ... in the actors themselves” but rather in the social bonds that exist between actors. Furthermore, Coleman suggests that social capital produces “dividends of trust” that accumulate within social networks, which in turn are transformed into a fungible resource (e.g., social capital). Unlike Bourdieu’s (1989) perspective, Coleman maintains that the motivation to form social networks is to advance the public good.

Building on Coleman’s work, Putnam (2000) conceptualizes social capital as the culmination of qualities (i.e., trust and norms) found in social organizations. These qualities facilitate the formation of voluntary associations. Putnam (2000, p. 19) has also written extensively on the concept of social capital, defining the concept as

*...connections among individuals—social networks and the norms of reciprocity and trustworthiness that arise from them. In that sense social capital is closely related to what some have called “civic virtue.” The difference is that “social capital” calls attention to the fact that civic virtue is most powerful when embedded in a dense network of reciprocal social relations.*

We note that Siisiainen (2003) draws a clear distinction between the underlying bases of Putnam’s conception of social capital and that offered by Bourdieu (1986; 1990). Where Putnam (2000) sees social capital as the result of community integration, Bourdieu conceives social capital as a struggle between participants, each in pursuit of their own interests. In the context of collaboration as set forth by Gray (1989) and others, the underpinnings of Putnam’s (2000) definition are better aligned than are those of Bourdieu. The bulk of the extant literature conceives of collaboration as a fundamentally collective (and cooperative) enterprise.

Arguably, civic virtue (a standard of expected behavior that attaches with citizenship) is an integral part of social capital. The concept of civic virtue speaks directly to ideals of democratic citizenship and civic participation (Denhardt & Denhardt, 2015). In this sense, the efficacy of social and political systems depends on the engagement of citizens and their involvement in civic life. According to Walzer (1991), it is the daily interactions among members of civic groups and voluntary associations that forge the bonds that hold society together. These bonds cultivate a sense of community and shared vision that forms the basis for participatory endeavors. Social capital, and therefore collaboration, is built on interconnected networks of people who work together to realize a shared goal. While goals at a community level are likely both broad and general (“we want to live in a safe place”), the goals in a collaboration are often more narrow and more focused. In other words, social capital is a diffused idea in a community of people, while a collaboration is typically created to meet a specific goal (“we want to eat oysters from this river by 2020”).

The dominant streams of thought in the literature on social capital help define the term. One stream concludes that social capital is built through social norms of reciprocity and trust (Simmel, 1950, as cited in Kenney, 2000; Putnam, 2000). In this perspective, the actions of participants are grounded in the expectation that one’s willingness or enthusiasm to do one thing is based on another person’s willingness to do something in return (Coleman, 1988). In this conception, social capital is primarily transactional in nature; agreements are constructed on trustworthiness, legitimacy, and/or expectations (Trachtenberg & Focht, 2005; Coleman, 1988).

The other stream of thought examines social capital in a network context, in which relationships of participants create social structures over time (Lin, 2001, as cited in Floress et al., 2011). These social networks serve to build trust that, in turn, produces increasing amounts of social capital (Putnam, 2000; Leahy & Anderson, 2010; Floress et al., 2011). A significant volume of research has been published regarding the centrality of social capital in activities such as natural resource management (see Parisi et al., 2004; 2010; Wagner & Fernandez-Gimenez, 2008; Leach & Sabatier, 2005; Leahy & Anderson, 2010;). Nonetheless, the concept of social capital and its effect on policy outcomes represents an ongoing dialogue among scholars (Leach, 2006; Floress et al., 2011; Parisi et al., 2004; Leach & Sabatier, 2005).

Related to the concept of social capital, many scholars conclude that “collective efficacy” is dependent on local spatial and socioeconomic conditions (Irvin & Stansbury, 2004; Parisi et al., 2004). Weber’s (2000) research on collaboration groups concludes that most of the core members tend to be highly educated, hold white-collar jobs, and earn salaries above the national average. Parisi et al. (2004) examine 324 localities in Mississippi and report that the predominant level of

education is a critical component of environmental activism in a community. The authors also argue that, in low-income areas, environmental activism is challenging because citizens there may feel disenfranchised from their larger community because of the effort to meet basic needs such as food, clothing, and shelter.

Weber (2009) reports that people in a community will participate in collective action efforts when there is a shared commitment to a geographic place. Weber's (2009, p. 318) study of a watershed in Montana finds that a "common vision of place" allows participants with rival interests to set aside their disagreements and focus on a shared goal, specifically, the shared interest in the watershed and a desire to preserve the location for enjoyment by future generations. Parisi et al. (2004) conclude that "spatial identity" (i.e., regional location and size) of the community is an important element of environmental activism.

Wagner and Fernandez-Gimenez's (2008) study of environmental collaborations in Colorado identifies several factors that facilitate the formation of social capital. First, the authors find that the establishment of clear ground rules that consider the viewpoints of all stakeholders builds cooperation and trust. Second, they find that the formation and use of open forums among residents, group members, and agency staff are a valuable tool to enhance collaboration. They argue that opportunities to promote the exchange of information, viewpoints, and ideas can serve to foster respect, understanding, and trust among participants. The authors also report that certain activities can serve to diminish social capital in some groups.

The themes for this research are derived from the model presented by Morris et al. (2013). In that study, one of the important concepts is social capital; in this instance, social capital is conceived as a necessary prerequisite to collaboration but also a product (output) of collaboration. An indeterminant amount of social capital is required to incentivize individuals to participate in collaboration, but the very process of collaboration serves to build additional social capital. In the systems-like model presented by Morris et al. (2013), social capital begets social capital. The authors report that social capital tended to increase across the cases over time, and that social capital plays a pivotal role in successful collaboration.

This paper seeks to delve deeper into the concept of social capital as it relates to collaboration for watershed protection. Is there some specific element of social capital that seems pervasive, or one element of social capital that is more prominent than others? For example, is trust more pervasive than reciprocity or respect? By re-analyzing the interview data from the 2013 study, we seek to determine whether there is an element (or elements) of social capital that becomes more prevalent, or more central, in collaboration.

## **Methods**

We employ a qualitative comparative case methodology for this study. We rely on several sources of information and data for our analysis. As an embedded multiple-case design, we investigate multiple units of analysis. Our primary unit of analysis is the three grassroots environmental organizations under study, along with the partners with whom they collaborate to accomplish their missions. We also focus our attention on the individual actors within each grassroots structure as the source of information about the motivations, contributions, expertise, and actions of actors within each organization. Our attention to individual actors allows us to examine individual motivations for collaboration.

The cases are drawn from the Hampton Roads, Virginia, region, at the confluence of James River, the Chesapeake Bay, and the Atlantic Ocean. The cases were chosen because of their physical

proximity to one another, the fact that all three rivers under study empty into the same larger water body, and that each of the three cases represents a different form of watershed protection. For each watershed, the grassroots organization under study is the only grassroots environmental organization active in that watershed. By choosing cases in the same geographic area and in the same state, we eliminate large differences in cultural and political factors.

This study utilized interview data as the principal source of data. The data were from in-person interviews of participants in each of the three case studies, along with local government officials, state and federal officials, and representatives of other nonprofit environmental groups. We employed a snowball sampling method, and each of the interviews took between 60 and 180 minutes, depending on the interest and position of the interviewee. We began by interviewing the chief executive officers (CEOs) of each organization and asked each CEO to recommend additional interviewees.

Each additional interviewee was also asked for additional names of potential interviewees. Our final list includes the CEOs and founders of each organization; other interviewees included board members, committee chairpersons, representatives of partner organizations, and general organizational members. In some cases, individual people were interviewed more than once; typically, multiple interviews were conducted with the CEOs, and some board members or committee chairpersons. A total of 81 interviews of 61 separate respondents were conducted between January 2012 and October 2012; all but one interview included at least two members of the project team. Appendix A contains summary information regarding our data collection.

Semistructured interview protocols were developed for the interviews; the team developed separate protocols for each of three classes of interviewee (CEO, founder, and member/partner). A core set of questions regarding the role of social capital was asked of each interviewee regardless of class; these questions are provided in Appendix B. Although not reported in this paper, survey data were also collected from the general membership of two of the three case studies. All three of the case organizations were 501(c)(3) (nonprofit) corporations; the researchers were given access to meeting minutes, agendas, planning documents, and reports as well as advertising and promotional materials produced by each organization. The documents provided additional evidence of the themes identified as a result of the analysis of interview data and also identified some themes not found in the interview data.

### *Analysis Technique*

Each interview was recorded with the consent of the interviewee. The interviews were then transcribed by a professional transcription service and double-checked for accuracy by members of the study team. We utilized hand coding by five coders. The team used inductive reasoning to identify broad themes that emerged from the interviews. One weakness of hand-coding is that it is prone to perception by the person conducting the analysis (McTavish & Pirro, 1990). To mitigate this, after the first round of coding, the coders discussed discrepancies to clarify and refine concepts and protocol, then re-coded and compared again. After a second round of coding, no discrepancies were identified.

## **Findings**

### *Summary of Themes*

Our analysis of the data revealed common themes across all our case studies. To begin with, all cases involved collaborations formed to solve a large-scale problem involving multiple actors with complex power dynamics. Against this backdrop, the members of these collaborations, especially the founders, revealed their deep personal attachment to the rivers as a strong source of

motivation. This personal attachment, what we coded as commitment to place, was expressed by interviewees in several ways, such as mentions of growing up on the river, caring about the issue as it is in their “backyard,” and wanting to restore the river to how they remember it being.

The founders of these grassroots organizations leveraged their social connections with community members, government officials, and other key actors to initiate their collaborative process by serving as conveners and bringing people together. They channeled their commitment to place into a positive future vision for their river, deliberately framing the goal in a way that would be hard to argue against. They found that the positive results of their initial efforts led to an increase in social capital, with more individuals joining in with a sense of shared purpose and wanting to associate with the emerging positive identity of these collaborations.

We found that there was a high level of sophistication within these groups, as they carefully deployed their social capital to acquire resources for their organizations and to accomplish goals. The groups built a trustworthy reputation within the community and presented themselves as experts on the problems in their watershed. They viewed education of not just key actors but also the broader community on the issue as an important path to achieving their goals. All three organizations were successful in their efforts, with the older organizations evolving to pursue more ambitious goals.

### *Case Studies*

The three case studies are grassroots environmental organizations located in southeastern Virginia, at the southern end of the Chesapeake Bay. Known as Hampton Roads (or historically as Tidewater Virginia), this area is home to one of the largest maritime ports on the East Coast as well as the largest operating naval base in the world (Morris et al., 2013). The region is also home to roughly 1.6 million residents. Hampton Roads refers to the body of water represented by the confluence of the Chesapeake Bay, James River, Elizabeth River, and Nansemond River. A third river, the Lynnhaven River, empties into the mouth of the Chesapeake Bay on its southern shore, just a few miles east of the confluence of the other rivers. Each of the rivers framed in the cases—Elizabeth, Lynnhaven, and Nansemond—suffer from different environmental threats. However, the common threads are geographic proximity, the use of collaboration to frame collective action, and a strong sense of place among participants.

*The Lynnhaven River and Lynnhaven River NOW:* The Lynnhaven River, located in its entirety within the city of Virginia Beach, is a tidal estuary that empties into the Chesapeake Bay at the confluence of the Bay and the Atlantic Ocean. Historically a remarkably productive oyster fishing area, the river’s oysters were in high demand because of their unique taste. As the city’s population increased and more houses were built along the river, runoff into the river from faulty septic systems, stormwater discharges, sanitary discharges from recreational boats, pet waste, and other sources led the Virginia Department of Health to close nearly all of the river to shellfish harvesting. Residents also regularly reported foul odors emanating from the water. Today, roughly 225,000 people live within the boundaries of the Lynnhaven’s 64-square miles of watershed (Lynnhaven River NOW [LRN], 2010).

Lynnhaven River NOW (LRN) was formed in 2002 by three leading citizens from Virginia Beach. Two of the three had been raised on the river, and each had gone on to successful careers. Saddened by memories of the river as it was in their youth, the three decided to work to restore the river. Working with their neighbors, friends, and city officials, they formed LRN with the goal of restoring the river for oyster production by 2007 (Fine, 2012). As of 2022, there were nearly 150 acres of sanctuary reef in the Lynnhaven River; the organization boasted more than 6,000

households as members; and had received more than \$1 million in grants to develop new oyster reefs (LRN, 2023).

A common theme emerging from the interviews conducted for the LRN case study is the strong commitment to place. This theme is consistent with Weber's (2009) finding and was also reflected in the organization's public communications as well as the themes found in newspaper articles. The three founders of LRN all have a long association with the area and the river, and all three live on the river. This deep commitment is clear in comments of two of the founders from our interviews. Andrew Fine (2012) recalls his experiences as a child growing up on the river:

*I had enjoyed all of the pleasures of playing games in this most gorgeous setting and when we were hungry, we would go down and take oysters out of the river and either eat them raw, or finding a crate and making a little fire and grilling them. That is pretty firmly etched in my mind.*

Another of the LRN founders, Harry Lester (2012), described his historical connection to the river as follows:

*I came to Hampton Roads in 1969 ... I was a junior officer in the Navy and I used to go to the Duck Inn [near the mouth of the Lynnhaven River] and they had these aluminum trays and would shuck the oysters right in front of you and it was just wonderful. In our adult lifetime, because of all these forces ... the runoff because the city grew and all the stuff came of the yards and streets, the pets, the animals, the stupid geese, and the runoff from people's lawns. We didn't really know what it was. All we knew was that we couldn't eat the oysters...*

Lester (2012) also illustrates his personal motivation to make a difference in the river:

*It is not a river in New Jersey; that is my river, and I want to be helpful. There is social capital being built because people are feeling good about what they are doing. I did something good today: I picked up after my pet. I think it probably makes people feel better about themselves ... People love to be part of a winner.*

Lester's comments are instructive at another level as well. Unlike the other two founders (and many members of LRN), Lester was not raised on the river; he came to the area for the first time as a young adult. However, his interest in the river is tied to his presence in the area. This is a refrain heard from many members of LRN. At a fundraising event sponsored by LRN in 2016, the annual Oyster Roast, a family in attendance commented that they had lived in the area for less than a year but were drawn to LRN because of the focus on community. They did not live on the water but had been attracted to LRN because of a newspaper article reporting recent gains in water quality in the river.

As another member of LRN, Kevin Dubois (2012) noted, "I live on the river so I am a stakeholder in that regard." This sentiment was echoed by nearly all interviewees and serves to explain the motivation present among members to restore the river. That same motivation serves to incentivize people not just to give their time (or money) for individual projects but to serve as committee members and to convince their neighbors and friends to participate in LRN. It is also notable that it is not just residents with property on the river, or indeed near the water, who participate in LRN. Laurie Sorabella (2012), the organization's second executive director, stated that:

*...whenever we would be at a civic league or someplace like that, maybe they would say they were working on an environmental initiative and maybe you could help us with that sort of thing ... They were helping us and giving us a forum for educating and talking to people. We could help them do some of their environmental initiatives, too. I feel like there was some community engagement we were able to get with that.*

*The Nansemond River and the Nansemond River Preservation Alliance:* The city of Suffolk, formerly Nansemond County, was formed in 1974 with the consolidation of the county and the city of Suffolk. The Nansemond River originates on the northern edge of the Dismal Swamp and runs through Downtown Suffolk, located in the southern part of the city. The river then runs northeasterly through the city for about 20 miles before emptying into the James River at Hampton Roads. The river supports a range of agriculture, including peanuts, tobacco, cotton, and soybeans. Blue crab, shad, and oyster fisheries were once on the river, but a combination of overfishing, pollution, and a loss of habitat to explosive residential development have reduced farm acreage significantly in recent decades. In addition, stormwater runoff, faulty septic tanks, animal waste, and sewer overflows have created an ongoing problem with high levels of fecal coliform bacteria in the river. In addition, runoff from fertilizers from farm operations and suburban lawns has also contributed to impairments in the river. The growth in residential neighborhoods has also resulted in the loss of hundreds of acres of wetlands and riparian zones, both important natural filters that capture runoff before it reaches the waterway (Nansemond River Preservation Alliance, 2011).

As noted in the LRN case study, the commitment to place serves as a powerful force that motivates citizens to participate in collaborative efforts. Particularly in this case study, almost every person interviewed expressed a historical and strong commitment to the river. For some interviewees, the connection was specifically to the Nansemond, a process begun at an early age:

*I was born and raised actually two blocks from here and then when I was about seven years old my parents moved to a section called Riverview and it was, in fact, at the time on the river. That part of the river has since been dammed to form Lake Mead but when I was a kid we were called “river rats.” We played and the river was our backyard ... And then later when I was 15 years old my grandfather gave me a wooden lapstrake boat, with a 35 horse motor and that was the biggest thing going at the time. And a bunch of the kids around town had that brand of boat and so then we started water skiing and venturing up further and down the river. Then a group of us used to go, three or four summers in a row, we’d actually take the boats and team up with two people per boat and we’d run all the way to Virginia Beach and through the Lesner Bridge, Lynnhaven River, Crystal Lake ... I grew up enjoying the water. My home now, we live on Chuckatuck Creek. That’s more of my immediate involvement because I still love the water and want to preserve it in a lot of ways (Eure, 2012).*

Other participants did not grow up on the river but moved to the area as adults. They saw their involvement in NRPA as a pathway to active involvement in the community:

*I live in Suffolk: this is where I live; this is where I bicycle; this is where I buy my groceries and everything ... And I thought, well, the Nansemond River is in my back yard and I want to help. So I just volunteered (Barnum, 2012).*

There is also an important recognition among the NRPA membership that their fellow members share the same commitment to place. As Elizabeth Taraski (2012) said,

*Social capital is very important ... we didn’t form in response to any type of urgent detrimental event that was happening in Suffolk. It was different groups of individuals coming together with a common interest ... It’s the water. So many of these people have boats or they fish or they just live on the water ... so it’s the water. I feel that it’s people’s place to preserve and restore [the river] for future generations also ... I’ve heard so many stories about downtown Suffolk who used to go swimming in that water...*

One group of residents that has largely resisted the efforts of NRPA is the local watermen. In local parlance, “watermen” refers to the people that work as local commercial fishermen. The NRPA is trying to entice the watermen to participate in the group, but there has been much resistance:

*Yes, I think, and we don't have them yet; we're working on them. We've got to get the watermen behind this 100% ... But they're sort of, like, skeptical about what we're doing. Most of the people in Nansemond River Preservation Alliance are not your local watermen and local villagers, and so they're looking at this group of “come heres,” that's what they like to call it, who are a little more affluent ... and I have to say that a lot of times, the group that is advocating for environmental action is a little more educated, a little more affluent, and ... they don't want this group of people to come into their waterways where they've been throwing a beer bottle overboard for twenty five, thirty, one hundred years, and tell them what they can and cannot do. And so there's a little pushback from that ... I want them to help me with the oyster [restoration] thing and they're arguing with me about the concept of oyster restoration for restoration's sake and using tax money to do it (Smith, 2012).*

This comment from Karla Smith, a lifetime resident of the river, highlights a clear tension between the watermen who have lived and worked on the water for generations, along with the more recent residents of the area who want to work to preserve and protect the river. Chesapeake watermen have an accurate reputation for a strong distrust of government and independence (see Warner, 1976; Blackstone, 2001), and they see environmental protection groups as a threat to their way of life. Smith is aware of the importance of including watermen in the group and extending the bonds of social capital and seems confident that NRPA eventually will be successful:

*I'm slowly winning them over ... I think they're starting to be nicer to me. But it's political, I mean, it's socially political in this community. I don't know when we're going to win over the rank-and-file neighborhood people. One family at a time. But once they're all on board, I think [NRPA] could be a force that will be hard to deal with. You know, they're not putting us down, they're just not running to join ... you have to tread carefully (Smith, 2012).*

*The Elizabeth River and the Elizabeth River Project:* The longest-serving organization of our three cases, the Elizabeth River Project was formed in November 1991 in the home of one of its four founders. Since that time, the group has expanded to include thousands of residents of the cities that border the river; more importantly, the membership includes scores of the businesses and organizations that rely on the river for their operations.

The Elizabeth River is a tidal estuary that runs from the Great Bridge Locks in the city of Chesapeake in the south and empties into Hampton Roads and the confluence of the James and Nansemond rivers and the Chesapeake Bay. The main branch of the river divides the cities of Norfolk and Portsmouth, and three separate branches run to the east, west, and south into the cities of Portsmouth, Virginia Beach, and Chesapeake, respectively. The main stem of the river, along with the three branches, are lined with large commercial and military port facilities, including ship repair, chemical and fuel storage, commercial container operations, a large coal embarkation facility, and both navy and coast guard bases. Often described as the “birthplace of maritime industry in America,” the Elizabeth River is not only one of the most polluted rivers in the Chesapeake Bay watershed, but indeed one of the most polluted rivers in the nation (Kobell, 2011). Four hundred years of heavy industrial and military use have produced a heavily contaminated river bottom, and tons of pollutants regularly wash off the surrounding land into the river. Exceptionally high levels of polycyclic aromatic hydrocarbons (PAHs), a leading cause of cancer in fish as well as a significant risk to human health, can be found in nearly 20 acres of sediment in the river bottom. Nine Superfund sites can be found along the river's shores, and the



U.S. EPA has designated a dedicated team to address remediation efforts along the river. In addition, a range of pollutants from stormwater runoff also creates issues for water quality in the river. The nutrients found in this runoff generates disproportionate algae growth, which depletes the dissolved oxygen in the water necessary for marine life (Elizabeth River Project, 2008a; 2008b).

A strong commitment to place has served as a strong motivator for participation in the Elizabeth River Project (ERP). The four founders immediately recognized the power of this factor as they began discussions with stakeholders in early 1992. “We used the argument of history, culture, and pride in the river, that those who participated could be keepers of that tradition” (Adams, 2012). Each of the four founding members had their individual reasons for joining the effort and their own reasons for their commitment, although none of the four was originally from the area. One of the four, Marjorie Mayfield Jackson, lived on the river at Scott’s Creek in Portsmouth and had done so since 1983. She described her motivation as follows:

*People thought the river was pretty much dead. They didn’t even know its name and the headlines in the paper were that the fish had cancer. I had taken a sabbatical from [the Virginia Pilot newspaper] for six months so I had spent a lot of time sitting in the backyard. I would see herons eating fish. Clearly it was not dead. It was quite beautiful in my little corner ... I was ashamed that I lived in a community where the river had such toxins the fish had cancer. That is really why I tried to do something about it. At some point I decided what would really matter to me was if I could help clean up that river that was in my backyard (Jackson, 2012).*

Walter and Josh Priest, brothers actively involved in some of the most successful projects undertaken by the ERP, exemplify the motivation that being raised on the river can have. Both spoke joyfully and fondly about their childhood growing up in the Larchmont neighborhood in Norfolk. Walter Priest became one of the leading experts in the region for wetlands, the “go-to” person for the development of restoration plans. Many of the interviewees related how Priest could see possibilities when surveying a damaged site: “...he understands the potential and what needs to be done to realize it” (Reisch, 2012). The attachment of Josh Priest to the river in his youth was so strong that Josh spent eighteen months participating in the first volunteer wetlands restoration undertaken by the ERP at the Birdsong Wetlands in the Larchmont neighborhood. Like the Priest brothers, most of the ERP participants interviewed either lived or worked on the river or conducted scientific research on the river. Many drew attention to their attachment to the river and the sense of responsibility that attachment generated. This is consistent with the “paradox of scale” discussed by Bonnell and Koontz (2007), in which local watershed issues tend to have greater salience for participants. It is often easier to commit to address watershed problems in one’s own backyard; indeed, many became involved “because it’s in my backyard” (Morris et al., 2013).

## **Discussion**

### *An Alternative: Because it’s My Backyard!*

Some readers of this paper are likely familiar with the popular acronym “NIMBY” (Not In My Back Yard). NIMBY is a term often employed to convey opposition to the threat of a negative change in the local environment or setting. The term is generally considered to carry a negative outlook or connotation. This opposition has been engaged, for example, to oppose citing decisions such as prisons, power plants, mining operations, and economic development projects. Residents often view these projects as contrary to local quality of life, health, or property values.

Gray (1989, p. 206) suggests that the basis of NIMBY results “...from an unequal distribution of costs and benefits.” A venture thought to be harmful to a community places unacceptable costs on local residents, which in turn leads to resistance in the community because the community bears an outsized cost from the project. People who benefit from a proposal are less likely to speak against the project than those who bear the costs; thus, the loudest voices are from those who object to the proposal. The interests of the negative forces thus determine the behavior of the group (Gray, 1989). The effectiveness of NIMBY as a strategy is well documented, as is the dependence of NIMBY on citizen self-interest and a sense of connection to the community.

We argue that a connection to the local community can also provide a positive motivation, for many of the same reasons that connection can act as a negative force. In essence, citizens can be engaged to address environmental issues in their communities *because* the problems are immediate and local and thus salient to all. The underlying problem may not be readily apparent, but the potential for harm due to inaction or indecision can provide a strong motivational force for citizens to join with other citizens to tackle problems in their community. People become engaged due to a different twist on the motivation in NIMBY—*Because It’s My Back Yard* (BIMBY). The connection to place, a critical component of BIMBY, is entirely consistent with the underlying elements of social capital. If social capital is the result of “a dense network of reciprocal social relations,” as Putnam (2000, p. 19) states, then it follows that citizens with shared goals and values can work with fellow citizens to address common issues in the community. In communities with high levels of trust, residents who may otherwise be less motivated environmentally than others may join collaborative efforts because of a shared idea of what a “desirable community” looks like and because it affects their community directly. It is relatively simple to motivate people to participate in something that can have tangible effects on the immediate community, and that is also important to their friends and neighbors. BIMBY is thus a positive element, in that it serves as a motivating force for citizens to collaborate with others for locally driven change, rather than as a force to prevent undesirable, and likely externally driven, change.

The concept of “place” in BIMBY is a central component in our explanation of how citizen collaborations operate. If this explanation is accurate, then BIMBY also contributes to our understanding of why grassroots citizen-based collaborations succeed where large-scale, agency-based collaborations (see Moore and Koontz 2003) have previously failed. People who live on a river experience the effects of pollution firsthand, while water quality problems elsewhere are more abstract—indeed, they are “someone else’s problem.” This effect can be made clear through the example of a large-scale environmental problem. The Chesapeake Bay, a large estuary on the east coast of the United States, has suffered decades of environmental degradation. The Chesapeake watershed encompasses parts of six states and the District of Columbia and is home to millions of people in some of the most populous regions of the nation. At least two of the states that are responsible for pollution in the bay, New York and Pennsylvania, do not border the bay and therefore receive no direct economic, cultural, or recreational benefit from the bay. If the literature is correct, i.e., that important elements of successful collaboration include trust, common goals, and shared risk, then the effort to collaborate across thousands of square miles and a long list of stakeholders is a huge task.

This line of thought also suggests that, as the scale of the problem increases, the more difficult it becomes to include all stakeholder interests in the process. For example, farmers in Pennsylvania have different interests than farmers in Maryland, and the interests of each are represented differently in each state. We can infer that farmers may share interests as members of a shared economic group, but we can think of them as a “community” only in a very general manner. The groups do not regularly interact; they may not be geographically co-located, and they have a different history. In contrast, these factors are much less important at the local level; by definition,

people in a community live close to each other and are thus likely to share a common history and culture, i.e., the elements that serve as the basis for a shared experience. Social capital exists at some level in the community because of the regular social interactions between people. If our conception of BIMBY as a motivating force is useful, the takeaway is that it is more straightforward to bring people together around a positive activity in the community.

## **Conclusion**

This research establishes a theoretical and empirical backdrop for the concept of BIMBY, a commitment to place that motivates individuals to collaborate within their local communities to achieve ecosystem restoration. This positive motivating force leverages existing social bonds and trust within local communities to strive for internally driven change. More importantly, it provides additional insight into the broader concept of social capital, and aids our understanding of why social capital is an integral element of successful grassroots environmental collaboration. Our findings suggest that BIMBY represents a collective view of social capital (e.g., Putnam, 2000; Lin, 2001), as opposed to a more transactional conception of social capital (e.g., Coleman, 1988). The attachment to place, and to people in that place, is unmistakable. This suggests that there is close conceptual link between social capital, as defined by Putnam (2000), and BIMBY. Yet, we also note that, while the extant literature does not address the centrality of “place” in the formation and maintenance of social capital, our research suggests that place-based measures may be key to a more complete understanding of, and perhaps limitations to, social capital, at least in terms of watershed collaboration. It remains the subject of further research to determine whether BIMBY is applicable to other interaction settings.

The three case studies described in this paper provide strong evidence for the concept of BIMBY. First, all three cases are of citizens coming together to identify long-term goals of ecosystem restoration, i.e., these goals were not externally imposed on them by government agencies or larger environmental groups but rather formulated by each grassroots group. Second, these citizens demonstrate a strong attachment to these ecosystems based on their past experiences and their relationships with other individuals in the community. Third, individuals who formed these grassroots groups with a shared long-term vision as well as deep commitment to the outcome were able successfully to *sustain* collective action over a long period to achieve tangible results. It is important to emphasize that BIMBY cannot solely drive collaboration among individuals within a community without a foundation of social capital, i.e., trust and social ties, which can help “bring people along” with a founding group’s vision. This is illustrated by the case of the Nansmond River, in which local watermen who were distrustful of government and environmental groups, even though they saw the river as their backyard and claimed ownership of it, were unwilling to collaborate with the grassroots group. In this case, it may be that the commitment to place (and to a way of life) of the watermen mitigated against collaboration with those in the community who did not have as deep a connection to place.

Our findings have important implications for institutional arrangements for ecosystem restoration efforts. While the focus thus far has been on rational choice models of citizen participation, we have identified a value-based motivation for collaboration that is a potent driver for voluntary action. Stakeholder analyses must go beyond cost–benefit analyses and consider the local community’s social cohesion and cultural commitment to the natural resource as a key factor that can make or break the success of these restoration initiatives. Moreover, an increase in the attention paid to the importance of “place,” and how “place” fits into broader concepts of social capital, provides an additional avenue of inquiry for future studies of collaboration.

## Notes

1. The authors wish to thank the three anonymous reviewers for their exceptionally thoughtful and detailed comments on this manuscript.

## Disclosure Statement

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

## References

- Adams, S. (2012, January 13). (W. Gibson, Interviewer)
- Adger, N. W. (2003). Social capital, collective action, and adaptation to climate change. *Economic Geography*, *79*, 387-404.
- Barnum, S. (2012, May 31). (J. C. Morris, Interviewer)
- Blackistone, M. (2001). *Dancing with the tide: Watermen of the Chesapeake*. Centreville, MD: Tidewater Publishers.
- Bonnell, J., & Koontz, T. (2007). Stumbling forward: The organizational challenges of building and sustaining collaborative watershed management. *Society and Natural Resources*, *20*, 153-167.
- Bourdieu, P. (1986). The forms of capital. In J. G. Richardson (Ed.), *Handbook of theory and research for the sociology of education* (pp. 241-258). Greenwood Press.
- Bourdieu, P. (1990). *In other words: Essays toward a reflexive sociology*. Stanford University Press.
- Coleman, J. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, *94*, S95-S120.
- Cook, K. (1977). Exchange and power in networks of interorganizational relations. *The Sociology Quarterly*, *18*, 62-82.
- Diaz-Kope, L., & Morris, J. (2019). *Organizational motivation for collaboration: Theory and evidence*. Lanham: Lexington Press.
- Dubois, K. (2012, April 6). (W. Leavitt, Interviewer)
- Elizabeth River Project (ERP). (2008a). *State of the river report*. Norfolk: Elizabeth River Project.
- Elizabeth River Project. (2008b, September 15). *The river of the future: Elizabeth River restoration and Conservation*. Retrieved from Elizabeth River Project web site: [http://media.wix.com/ugd/8deofd\\_bc04186a4da247610b9fc524ff5ad5cc.pdf](http://media.wix.com/ugd/8deofd_bc04186a4da247610b9fc524ff5ad5cc.pdf)
- Ernst, H. (2003). *Chesapeake Bay blues: Science, politics, and the struggle to save the bay*. Lanham, MD: Rowman & Littlefield Publishers, Inc.
- Ernst, H. (2010). *Fight for the bay: Why a dark green environmental awakening is needed to save the Chesapeake Bay*. Lanham, MD: Rowman & Littlefield Publishers, Inc.
- Eure, J. (2012, May 17). (J. C. Morris, Interviewer)
- Fehr, E., & Fischbacher, U. (2004). Social norms and human cooperation. *Trends in Cognitive Science*, *8*(4), 185-190.
- Fine, A. (2012, March 23). (Leavitt, Interviewer)
- Floress, K., Prokopy, L., & Allred, S. (2011). It's who you know: Social capital, social networks, and watershed groups. *Society and Natural Resources*, *24*, 871-886.
- Gray, B. (1989). *Collaborating: Finding common ground for multiparty problems*. San Francisco, CA: Jossey-Bass.
- Hardin, G. (1968). The tragedy of the commons. *Science*, *162*, 1243-1248.
- Irvin, R., & Stansbury, J. (2004). Citizen participation in decision making: Is it worth the effort? *Public Administration Review*, *64* (1), 55-65.

- Ivery, J. (2008). Policy mandated collaboration. *Journal of Sociology & Social Welfare*, 35(4), 53-70.
- Jackson, M. (2012, March 6). (W. Gibson, Interviewer)
- Jarillo, C. (1988). On strategic networks. *Strategic Management Journal*, 9, 31-41.
- Kenney, D. (2000). *Arguing about consensus: Examining the case against western watershed initiative and other collaborative groups active in natural resources management*. Boulder, CO: University of Colorado School of Law.
- Kobell, R. (2011, July-August). Elizabeth River rises from the depths. *Chesapeake Bay Journal*.
- Lake, R., & Huckfeldt, R. (1998). Social capital, social networks, and political participation. *Political Psychology*, 19: 567-584.
- Leach, W. (2006). Collaborative public management and democracy: Evidence from western watershed partnerships. *Public Administrative Review*, 66(Special Issue), 100-110.
- Leach, W., & Sabatier, P. (2005). Are trust and social capital the keys to success? In P. Sabatier, W. Focht, M. Lubell, Z. Trachtenberg, A. Vedlitz, & M. Matlock (Eds.), *Swimming upstream: Collaborative approaches to watershed management* (pp. 233-258). Cambridge, MA: The MIT Press.
- Leahy, J., & Anderson, D. (2010). "Cooperation gets it done": Social capital in natural resource management along the Kaskaskia River. *Society and Natural Resources*, 23, 224-239.
- Lester, H. (2012, March 28). (W. Leavitt, Interviewer)
- Levine, S., & White, P. (1961). Exchange as a conceptual framework for the study of interorganizational relationships. *Administrative Science Quarterly*, 5 (4), 583-601.
- Lin, N. (2001). *Social capital: A theory of social structure and action*. New York, NY: Cambridge University Press.
- Logsdon, J. (1991). Interests and interdependence in the formation of social problem-solving collaboration. *Journal of Applied Behavioral Science*, 27(1), 23-37.
- Lynnhaven River NOW (LRN). (2023). *Lynnhaven River NOW 2021-2022 Annual Report*. Virginia Beach, VA: Lynnhaven River NOW.
- Lynnhaven River NOW (LRN). (2010). *State of the river*. Virginia Beach: Lynnhaven River NOW.
- McGuire, M. (2006). Collaboration public management: Assessing what we know and how we know it. *Public Administration Review*, 66 (Special Issue), 33-46.
- Morris, J. C., Gibson, W. A., Leavitt, W. M., & Jones, S. C. (2013). *The case for grassroots collaboration: Social capital and ecosystem restoration at the local level*. Lanham, MD: Lexington Books.
- Nansemond River Preservation Alliance (NRPA). (2011). *2010 State of the Nansemond report*. Suffolk: Nansemond River Preservation Alliance.
- Parisi, D., Taquino, M., Grice, S., & Gill, D. (2004). Civic responsibility and the environment: Linking local conditions to community environmental activeness. *Society and National Resource*, 17, 97-112.
- Parisi, D., Taquino, M., Grice, S., & Gill, D. (2010). Civic responsibility and the environment: Linking local conditions to community environmental activeness. *Society and Natural Resources*, 17(2), 97-112.
- Putman, R. (2000). *Bowling alone: The collapse and revival of American community*. New York, NY: Simon & Schuster.
- Reisch, T. (2012, June 15). (W. Gibson, Interviewer)
- Sabatier, P., Focht, W., Lubell, M., Trachtenberg, Z., Vedlitz, A., & Matlock, M. F. (2005). *Swimming upstream: Collaborative approaches to watershed management*. Cambridge, MA: The MIT Press.
- Siisiainen, M. (2003). Two concepts of social capital: Bourdieu vs. Putnam. *International journal of contemporary sociology*, 40(2), 183-204.
- Smith, K. (2012, April 20). (J. C. Morris, Interviewer)

- Sorabella, L. (2012, May 24). (W. Leavitt, Interviewer)
- Taraski, E. (2012, June 20). (J. C. Morris, Interviewer)
- Trachtenberg, Z., & Focht, W. (2005). Legitimacy and watershed collaboration. In P. Sabatier, Focht, L. M. Will, Z. Trachtenberg, & M. Matlock, *Swimming upstream: Collaborative approaches to watershed management* (pp. 53-82). Cambridge: MIT Press.
- Wagner, C., & Fernandez-Gimenez, M. (2008). Does community-based collaborative resource management increase social capital? *Society and Natural Resources*, 21(4), 324-344.
- Walzer, M. (1991). *The idea of civil society: A path to social reconstruction*. Institute for Advanced Study, 293-304. Princeton, New Jersey.
- Warner, W. (1976). *Beautiful swimmers: Watermen, crabs, and the Chesapeake Bay*. New York: Little, Brown.
- Weber, E. (2000). A new vanguard for the environment: Grass-roots ecosystem management as a new environmental movement. *Society and natural resources*, 13, 237-259.
- Weber, E. (2009). Explaining institutional change in tough cases of collaboration: "Ideas" in the Blackfoot Watershed. *Public Administration Review*, 69(2), 314-327.
- Weber, E., & Khademanian, A. (2008). Wicked problems, knowledge challenges, and collaborative capacity builders in network settings. *Public Administration Review*, 68(2), 334-349.

### Author Biographies

Kelly Ann Krawczyk is a Professor of Political Science at Auburn University. Her research investigates the potential role of civil society in promoting democracy and development. She examines how civil society can foster sustainable development in local communities, and the role of civil society in strengthening democracy and increasing civic engagement.

John C. Morris is a professor of political science at Auburn University. His research interests include water infrastructure, climate resilience, governance, and collaboration. He is the author of twelve books and more than ninety journal articles.

Luisa M. Diaz-Kope is an associate professor in the department of Political Science and International Affairs at the University of North Georgia and the M.P.A. Program Coordinator. Her research interests include collaboration in environmental protections, ethics in collaboration research and public policy.

Sindhu Weber is a graduate student in the Public Administration and Public Policy program at Auburn University and has worked in the environmental nonprofit sector for over twelve years. Her research focuses on nonprofit management and collaboration processes in global nonprofit organizations.

**Appendix A: Summary Data Collection Information**

<b>Data Category</b>	<b>Subcategory</b>	<b>Number of Interviews (61 individual respondents)</b>
Interviews		<b>81</b>
	Founders	12
	CEOs	9
	Board Members	6
	Members	41
	Partners	13
Newspaper articles		<b>802</b>
	Lynnhaven River NOW	324
	Elizabeth River Project	431
	Nansemond River Preservation Alliance	47
Organizational Documents		
	Watershed Plans	5
	Reports	17
	Websites	9
	Meeting Agendas	37
	Committee Reports	22

## **Appendix B: Interview Questions**

NOTE: The original project (Morris et al., 2013) included six separate interview protocols for data collection. The following are questions from those instruments that yielded relevant responses to the analyses reported in this paper.

### **Context**

*Q: In your judgment, what was the state of the watershed at the time the organization was founded?*

*Q: Tell me about the origins of the organization. What was the genesis of the organization? Why was it formed? Who were the major players involved?*

*Q: Are there specific events that served as an impetus for the formation of the organization?*

*Q: What do you think are the most important events in the history of the collaborative?*

### **Demands**

*Q: In your judgment, what do you think citizens wanted in the way of changes in the watershed?*

*Q: Did your organization meet with any representatives of interest groups? What did they want to see happen?*

*Q: Was there any collective effort in place to address issues in this watershed? How active were these collectives? What did they want to happen?*

### **Support**

*Q: Do you believe the organization received initial support from the community? From the state? From the national government?*

*Q: Do you think the community at large accepted the organization as a group capable of addressing water quality issues in the watershed?*

*Q: Did members of the organization have existing contacts with others in similar organizations (either local or regional)?*

*Q: Were there other groups (or networks) in existence that were working on the problems in the watershed?*

*Q: How would you describe the level of initial motivation of the group members?*

### **Collaboration Process**

#### **Actors**

*Q: How did you decide who should be involved? Why?*

*Q: Are there specific individuals in the community whose support is critical to the success of the group's activities?*

*Q: Is there a central person critical to the process that acts as a facilitator?*

*Q: What motivated you to become involved?*

*Q: What do you think motivated others to become involved?*

#### **Social Capital**

*Q: What is your perception as to how much trust exists among participants?*

*Q: Do you trust others involved? Are you at ease when working with others of these projects who might have different interests than you?*

*Q: Were there individuals or organizations that you particularly trusted to work with honesty and good faith?*

*Q: Between community members, government agencies, private sector organizations, and environmental organizations who are you most willing to share information with? Which do you feel have been most willing to share information with you?*

*Q: How is it decided on who gets to participate in various projects, and who does not get invited? Do groups want to participate who do not get to? Or do you let any who desire to be involved participate?*

*Q: How are leaders selected? Has leadership changed? How? In what ways?*

*Q: Do you feel as though you have a legitimate role in the efforts to address the water quality*



*issues? What are you doing to further your legitimacy in the community? Do others take you seriously, and listen to your position?*

*Q: Do you feel that volunteers have been allowed to participate freely and used appropriately?*

*Q: Do you feel that everyone is represented in the process?*

*Q: Do you feel that all are treated fairly?*

*Q: Do you believe the processes are open and transparent?*

*Q: Has this process been able to take time to identify common interests among participants?  
How so?*

*Q: Has the process taken time to develop and agree on a common knowledge base?*

*Q: Do you feel that all participants have been able to influence decisions? Why or why not?*

**Watershed Outcomes**

*Q: In your judgment, has the quality of the environment in the watershed changed as a result of the group activities?*

# **The Power of Homeownership: The Case for Iowa Heartland Habitat for Humanity**

*Esha Jayswal BA – University of Northern Iowa*

*Joseph Ugrin PhD, CPA – University of Northern Iowa*

*Disa Cornish PhD, CHES – University of Northern Iowa*

*Brent Buhr MD, CTropMed® – Peoples Clinic*

*Ali Parrish BA – Iowa Heartland Habitat for Humanity*

This research examines the impact of financially assisted homeownership for Iowa Heartland Habitat for Humanity home recipients as measured in life satisfaction. We develop and assess a model with homeownership as the independent variable and financial well-being, current health, and psychological well-being as mediating variables that impact life satisfaction. We utilize data from 184 Iowa Heartland Habitat for Humanity homeowners and applicants to test the model. The findings show that homeownership through Iowa Heartland Habitat for Humanity is related to life satisfaction. That relationship is partially mediated by financial well-being, current health, and psychological well-being, where the mediating variables amplify the relationship between homeownership and life satisfaction.

Keywords: Homeownership, life satisfaction, evaluation

## **Introduction**

For many, homeownership is an essential component of the American dream and the most significant asset in household wealth. Homeownership provides a concrete pathway to wealth accumulation by building home equity. The retention of positive equity allows homeowners to improve their homes and increase their value, make educational and entrepreneurial investments, and have a financial safety net in times of crisis (Neal et al., 2020). Challenges to homeownership are varied and include difficulty in finding an affordable home to purchase, fluctuating mortgage interest rates, credit accessibility, and structural inequities such as bias in lending practices (Arundel & Ronald, 2021; Williams, 2015). Disparities in homeownership rates are widespread, particularly regarding race and ethnicity, and are deeply rooted in history (Williams, 2015). In addition to financial benefits, research suggests that homeownership is positively associated with educational outcomes, civic participation, physical health, psychological health, and, ultimately, life satisfaction (Yun & Evangelou, 2016).

Nonprofit organizations play a critical role in filling the material hardship needs of families and play a particularly important role in filling gaps left by government assistance programs (Guo, 2010). Material hardship includes substandard housing (Beverly, 2001). Iowa Heartland Habitat

Jayswal, E., Ugrin, J., Cornish, D., Buhr, B., & Parrish, A. (2024). The Power of Homeownership: The Case for Iowa Heartland Habitat for Humanity. *Journal of Public and Nonprofit Affairs*, 10(2), 239-250. <https://doi.org/10.20899/jpna.m76e3382>

for Humanity (Iowa Heartland Habitat hereafter) opened in 1990 and operates in the northeast region of Iowa. Iowa Heartland Habitat is “dedicated to eliminating substandard housing through construction, rehabilitation, and preserving homes; by advocating for fair housing policies; and by providing access to resources to help families improve their shelter conditions” (Iowa Heartland Habitat for Humanity, 2023). Iowa Heartland Habitat aims to engage in holistic neighborhood revitalization through asset-based development, an innovative approach focused on reversing neighborhood, economic, and housing disparities. Iowa Heartland Habitat is particularly active in two neighborhoods in Waterloo, Iowa: The Church Row and Walnut. Decades of disinvestment in Iowa Heartland Habitat service areas have negatively impacted quality of life. Iowa Heartland Habitat is particularly focused on building asset stability of underserved residents and addressing historic inequities through affordable housing. In addition to Iowa Heartland Habitat’s holistic approach, another important difference in the Iowa Heartland Habitat model and other Habitat organizations is interest-free home loans, which prioritize the financial benefits of homeownership.

Homeownership is most impactful when it affects one’s outlook on life and their general well-being. Life satisfaction is a person’s level of contentment with all aspects of their life. From the perspective of homeownership, Tremblay and Dillman (1983) suggest that “to live in a conventional single-family detached house that one owns is more than an American Dream. For the majority of Americans, it is a firmly held life expectation. The thought of not being able to afford such a home is no less disconcerting than a constantly recurring nightmare” (p. 1). Following that logic, being a homeowner should add to a person’s satisfaction with life. However, research on the effects of homeownership is mixed. In a recent study, Odermatt and Stutzer (2022) find that homeownership results in higher life satisfaction; however, they also find that homebuyers overestimate the effect long-term. Furthermore, Sebastian and Renz (2022) find that homeownership can negatively impact life satisfaction due to the burden of having a mortgage and the stress that responsibility can bring.

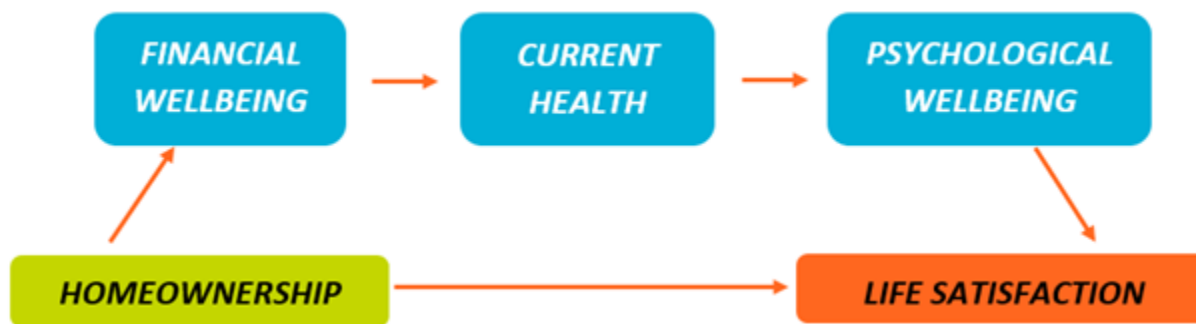
A unique aspect of homeownership gained through Iowa Heartland Habitat, however, is achieved through systematic progression and a commitment to keep monthly payments affordable at no more than 30% of gross earnings. Iowa Heartland Habitat achieves affordability through downpayment assistance that reduces the mortgage value and a zero-interest loan. These benefits create instant wealth and alleviate the financial stress of the mortgage. The focus on financial well-being is critical. There are significant disparities present in net worth based on family characteristics in the United States. For example, 2022 data from the Survey of Consumer Finances showed that the median net worth of families in which the reference person had a high school diploma only was \$106,800 compared with \$464,600 for those with a college degree. In addition, renting families had a median net worth of \$10,400, while homeowners had a median net worth of \$396,200. Among Black non-Hispanic respondents, the median net worth was \$44,900, but among White non-Hispanic respondents the median net worth was \$285,000 (Federal Reserve, 2023). Potential financial burdens of homeownership are minimized for Iowa Heartland Habitat homeowners, allowing the positives of homeownership to emerge.

Homeownership also impacts other factors, such as income and health, that precede life satisfaction. Research on the relationship among financial well-being, income, and health dates back decades. For example, Rogers (1979) found that income inequality is a key determinant of health differences in populations. Case, Lubotsky, and Paxson (2002) found a relationship between household wealth and health amongst children, and, recently, Tran, Gannon and Rose (2023) find that household wealth impacts health amongst older individuals. The logical conclusion is that financial well-being leads to improved health. The literature also supports the importance of physical health in improved psychological well-being. For example, physical health

can improve multiple outcomes such as reduced depression, anxiety, stress disorders, bipolar disorder, and alcohol use disorders (Ashdown-Frank, 2019). Finally, psychological well-being is significantly related to life satisfaction (Lombordo, 2018).

The purpose of this research was to explore the relationships between and among homeownership, financial well-being, health, psychological well-being, and life satisfaction among Iowa Heartland Habitat homeowners and applicants. A test of a holistic model incorporating all of these factors (referred to as the homeownership impacts model hereafter and as illustrated in Figure 1) demonstrates that homeownership positively effects life satisfaction and that relationship is enhanced by improved financial well-being, health, and psychological well-being.

**Figure 1.** Homeownership Impacts Model



## Methods

We observed a sample of Iowa Heartland Habitat for Humanity homeowners in a natural experiment to test the homeownership impacts model. In the experiment, Iowa Heartland Habitat homeowners formed the intervention group and applicants formed the comparison group.<sup>1</sup> Current homeowners and applicants were invited via email to participate in an online survey, receiving a \$25 gift card to their choice of three retailers for their time. In total, 184 individuals completed the questionnaire (46 homeowners and 138 applicants), representing a 35.4% response rate for homeowners and a 34.5% response rate for applicants.<sup>2</sup>

The questionnaire included demographic questions, scales regarding life satisfaction, psychological well-being, and financial well-being, along with questions regarding educational pursuits, family structure, and health. The dependent variable, life satisfaction, was measured using the composite of an 11-item, five-point Likert scale adapted from Nikolaev (2018). Scores range from extremely dissatisfied (11) to extremely satisfied (55). The independent variable, homeownership, was a dichotomous variable comparing an existing Iowa Heartland Habitat homeowner group (1) and the current Iowa Heartland Habitat home applicant group (0).

Mediating variables were financial well-being, current health, and psychological well-being.<sup>3</sup> Financial well-being was measured using a 10-item, 5-point Likert scale developed by the Consumer Financial Protection Bureau (CFPB) (2015). “The scale is designed to allow practitioners and researchers to accurately and consistently quantify, and therefore observe, something that is not directly observable—the extent to which someone’s financial situation and the financial capability that they have developed provide them with security and freedom of choice” (CFPB, 2015). The scale ranges from a score of (14) on the low end to (86) on the high end. Current health was measured with one 5-point Likert scale item asking, “How is your health?” Scores ranged from poor (1) to excellent (5). Psychological well-being was measured using a nine-item,

5-point Likert scale, which was also adapted from Nikolaev (2018). Scores range from low well-being (9) to high well-being (45).<sup>4</sup> The variables and measures are presented in Table 1.

**Table 1.** Variables and measures

	Construct	Source	Description
Dependent variable	Life satisfaction	Nikolaev (2018)	11 items, 5-point Likert scale from Extremely Dissatisfied (11) to Extremely Satisfied (55)
Independent variable	Homeownership	Treatment	Habitat Homeowners = 1 Habitat Applicants = 0
Mediating variables	Financial well-being	Consumer Financial Protection Bureau (2015)	10 items, 5-point Likert scale from Low Well-being (14) to High Well-being (86)*
	Current health	NA	1 item, 5-point Likert scale from Poor (1) to Excellent (5)
	Psychological well-being	Nikolaev (2018)	9 item, 5-point Likert scale measuring psychological well-being from Low (9) to High (45)

*Note.* \*Financial well-being score converted in accordance with the Consumer Financial Protection Bureau guidance for individuals ages 16–61.

Educational attainment (ED) was included as a control variable because it varied between the treatment and control conditions, correlated with the outcome variables (Appendix A), and was not encompassed in any other measures. Other potential control variables were collected but not included in the final analysis. Employment status (ES) and annual income varied across treatment and control conditions but were also encompassed in outcome measures and not included in the analysis. Marital status (MS) varied across the treatment and control conditions but did not correlate with outcome variables and was not included in the final analysis. Finally, age differed across the treatment and control conditions and correlated with only one of the outcome variables, life satisfaction (LS), but did not correlate with financial well-being (FW), current health (HEALTH), or psychological well-being (PW). Age was also highly correlated with educational attainment (ED) ( $p < .01$ ), which was included as a control variable. Furthermore, when we included age in the models and test of relationships between the treatment and life satisfaction, we did not find differences in the results. Age became insignificant in the model. When we entered age and educational attainment as control variables, age was also insignificant.

## Results

Demographically, compared with Iowa Heartland Habitat applicant respondents, Iowa Heartland Habitat homeowner respondents were older, more likely to be employed full-time, obtain a four-year college degree, have higher income levels, larger savings and retirement accounts, and are more likely to remain married (see Table 2). In both groups, at least half of the respondents self-identified as not White (either African American or another racial/ethnic group). A majority of those were African-American respondents. In addition, female respondents represented the majority.

Univariate tests of the mean differences for the variables of interest in the homeownership impacts model shows that, when compared with applicants, financial well-being scores among homeowners increased by 15.8% (45.25 to 55.85), psychological well-being scores among homeowners increased by 12% (33.72 to 37.78), and life satisfaction scores among homeowners increased by 20% (37.56 to 45.09). ANOVA tests show that all three of the differences in financial and psychological well-being, and life satisfaction, were statistically significant ( $p < .01$ ). Current health had little change (3.08 to 3.09). However, a highly significant correlation existed between current health and financial well-being ( $p < .001$ ), suggesting that the two were closely related. The univariate results are shown in Table 3.

**Table 2.** Characteristics of Survey Respondents

	Homeowners	Applicants	<i>p</i>
Gender			
Female	42	130	0.498
Male	4	8	
Age (mean)	46.09	34.99	<0.001**
Race			
African American	20	76	0.526
White	23	54	
Other	3	8	
Marital status			
Married	13	19	0.003**
Unmarried	33	119	
Educational attainment			
2-year degree or less	32	125	<0.001**
4-year degree or more	14	13	
Employment status			
Employed	40	101	0.023*
Unemployed	6	37	
Annual household income			
Less than or equal to \$50,000	33	132	<0.001**
Greater than \$50,000	13	6	
Savings and investments (mean)	\$106,736	\$38,864	<0.001**

Note. \* $p < 0.05$ . \*\* $p < 0.01$ .

**Table 3.** Univariate Analysis

Mean (Standard deviation)	M(SD)		<i>p</i>
	Homeowners	Applicants	
Financial wellbeing	55.85 (9.89)	48.25 (11.49)	<0.001*
Current health	3.09 (1.01)	3.08 (0.95)	0.965
Psychological wellbeing	37.78 (7.26)	33.72 (7.83)	0.002*
Life satisfaction	45.09 (6.06)	37.56 (6.76)	<0.001*

Note. \* $p < 0.01$

Mediation analysis tested the hypothesized impact model using the SPSS Process script model 6 for serial mediation (Hayes, 2013) and using the procedure outlined in Zhao, Lynch, and Chen (2010). The mediation tests were based on 5,000 bootstrap samples using a 95% confidence level for the intervals. In the analysis, Iowa Heartland Habitat homeownership (HO) is the independent variable, life satisfaction (LS) is the dependent variable, and financial well-being (FW), current health (HEALTH), and psychological well-being (PW) are the mediating variables.

The analysis found support for indirect and direct pathways of the association between homeownership and life satisfaction, and revealed a significant indirect effect of homeownership on life satisfaction through financial well-being, health, and psychological well-being ( $b = .1192$ ;  $t = 2.0446$ ;  $p < .05$ ). The direct effect of homeownership on life satisfaction in the presence of the other variables was also significant ( $b = 4.6553$ ;  $p < .001$ ). This finding suggests partial mediation of financial well-being, health, and psychological well-being on the relationship between homeownership and life satisfaction. Figure 2 decomposes the pathways for the homeownership impact model. Table 4 Panel A summarizes the path coefficients of the decomposed model. A summary of the mediation analysis is found in Table 4 Panel B.

**Table 4.** Homeownership Impacts Model Analysis

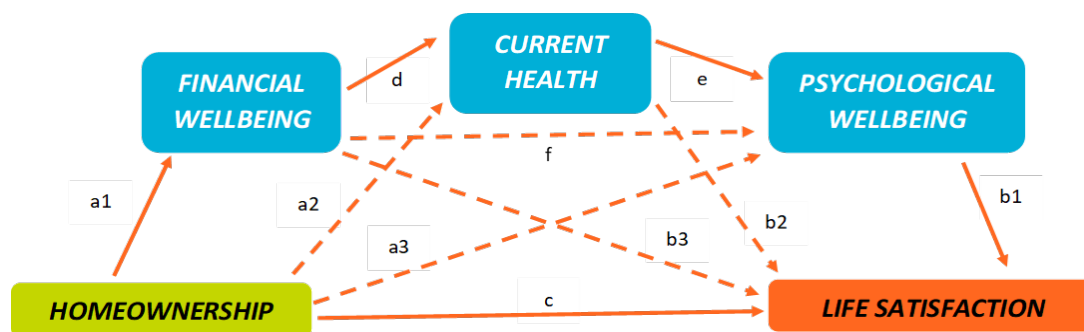
**Panel A:** *Decomposed path coefficients of the homeownership impacts model*

Path	Coefficient	t-statistic	p-value
a1	7.4710	3.7676	0.0002
a2	-0.1431	-0.8315	0.4068
a3	1.3771	1.1220	0.2634
D	0.0243	3.9042	0.0001
E	2.3204	4.1861	0.0000
F	0.2325	5.0488	0.0000
b1	0.2962	5.1942	0.0000
b2	1.3879	3.2730	0.0013
b3	0.1710	4.5546	0.0000
C	4.6553	4.9539	0.0000

Direct Effect: HOMEOWNERSHIP on LIFE SATISFACTION = 4.6914  
 Indirect Effect 1: HO > FW > LS:  $7.4710 * .1710 = 1.2775$   
 Indirect Effect 2: HO > HEALTH > LS:  $-.1431 * 1.3879 = -.1986$   
 Indirect Effect 3: HO > PW > LS:  $1.3771 * .2962 = .4079$   
 Indirect Effect 4: HO > FW > HEALTH > LS:  $7.4710 * .0243 * 1.3879 = .2520$   
 Indirect Effect 5: HO > FW > PW > LS:  $7.4710 * .2325 * .2962 = .5145$   
 Indirect Effect 6: HO > HEALTH > PW > LS:  $-.1431 * 2.22047 * .2962 = -.0941$   
 Indirect Effect 7: HO > FW > HEALTH > PW > LS:  $7.4710 * .0243 * 2.2204 * .2962 = .1194$   
 Total Effect: HO > FW > HEALTH > PW > LS:  
 $4.6553+1.2775+-.1986+.4079+.2520+.5145+-.0941+.1194 = 6.9339$

**Panel B:** *Mediation analysis summary*

Total Effect (HO>LS)	Direct Effect (HO>LS)	Indirect Effect	SE	CI	T	Result	
6.9339	4.6553	.1192	.0583	.0329	.2598	2.0446	Partial Mediation

**Figure 2.** Paths for the Homeownership Impacts Model

## Discussion

The results show that Iowa Heartland Habitat homeowners have higher life satisfaction than current applicants, and that relationship is partially mediated by financial well-being, health, and psychological well-being. Homeowners reported feeling significantly greater financial well-being compared with applicants ( $p = .0002$ ). Given the financial support through down payment assistance, zero-interest mortgages, and commitment to affordability by Iowa Heartland Habitat, this linkage for homeowners is not surprising. Mechanisms and systems to enhance financial well-being are intentionally baked into the path to homeownership for Iowa Heartland Habitat clients. That immediate and direct financial benefit likely assuages at least a portion of the potential adverse effects that being responsible for a home and mortgage may bring. This direct financial benefit is a unique aspect of the Iowa Heartland Habitat model and may be a primary reason why these findings suggest such a positive impact from home ownership while the results from other studies are mixed. Future research could test this directly.

Financial well-being relates significantly with current health ( $p = .0001$ ). That finding is consistent with the numerous studies that show a positive relationship between finances and health in various populations. Current health then relates positively with psychological well-being ( $p = .0000$ ) as people encounter lower stress related to finances and/or physical health challenges and are free to pursue mental health through leisure activity, time with friends and family, and other pursuits associated with psychological calm. The finding supports the large volume of literature, which shows that improved physical health improves mental health (Boehm & Kubzansky, 2012). Finally, psychological well-being impacts life satisfaction ( $p = .0000$ ), which is consistent with the existing literature (Lombardo et al., 2018).

But what does this mean? What meaning, in day-to-day life, does this have for individuals, families, and communities? What meaning does this have for Iowa Heartland Habitat and other organizations committed to serving those among us who need the biggest boosts? Importantly, homeownership matters. By operating in a framework that prioritizes financial stability and stewardship of the well-being of individuals, families, and whole communities, Iowa Heartland Habitat provides a safe pathway to homeownership for clients. Financial well-being is improved for Iowa Heartland Habitat homeowners. In addition, the results show that certain outcomes are independent of age, even though the homeowner group is somewhat older. Considering that the populations targeted by these programs have consistently lower net worth, it is important to remember that positive outcomes on financial well-being and life satisfaction can be harder to demonstrate with interventions, regardless of age. This study does reveal noteworthy direct and indirect effects for homeowners.



The findings further paint a positive picture for the Iowa Heartland Habitat model; the results, however, should be considered with the following limitations. First, there are inherent limitations in our design. Our natural experiment is one of the best ways to examine real life and allowed us to examine differences between the homeowner and applicant groups where direct manipulation is not practical. However, all natural experiments suffer from internal validity limitations. It is difficult to infer cause-and-effect relationships and control for all potential factors. The findings are also limited to the Iowa Heartland Habitat operating region in northeast Iowa, namely, Waterloo, Iowa. Generalizing the findings to other locations should be done with care as they may not be the same in other areas of the country. Future studies comparing the Iowa Heartland Habitat model with other Habitat for Humanity models and the outcomes for their respective participants may add important nuance to our understanding. In addition, our findings show a significantly positive relationship between homeownership and life outcomes, which contradicts some of the mixed results in existing research. The relationships should be tested more, which creates an opportunity for a follow-up study. Finally, homeownership does not operate in a vacuum. Other factors matter, too. Family organization and stability, physical health, mental health, and educational attainment are also important factors to consider (among others). More research focusing on the effects of a constellation of factors that impact individual and family health would be worthwhile.

In conclusion, when an applicant is accepted into homeownership through Iowa Heartland Habitat for Humanity, they are getting a life-changing opportunity to own a home. Iowa Heartland Habitat homeowners have higher satisfaction in life than current home applicants, and their satisfaction is affected by their health and financial and psychological well-being.

### **Disclosure Statement**

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article. Two of the authors serve on the board of Iowa Heartland Habitat for Humanity.

### **References**

- Arundel, R., & Ronald, R. (2021). The false promise of homeownership: Homeowner societies in an era of declining access and rising inequality. *Urban Studies*, 58(6), 1120–1140. <https://doi.org/10.1177/0042098019895227>
- Ashdown-Franks, G., Sabiston, C. M., & Stubbs, B. (2019). The evidence for physical activity in the management of major mental illnesses: a concise overview to inform busy clinicians' practice and guide policy. *Current opinion in psychiatry*, 32(5), 375–380. <https://doi.org/10.1097/YCO.0000000000000526>
- Beverly, S. G. (2001). Material hardship in the United States: Evidence from the survey of income and program participation. *Social Work Research*, 25, 143–151. <https://doi.org/10.1093/swr/25.3.143>
- Board of Governors of the Federal Reserve Board. (2023). *2022 Survey of Consumer Finances*. Board of Governors of the Federal Reserve System. <https://doi.org/10.17016/8799>.
- Boehm, J. K., & Kubzansky, L. D. (2012). The heart's content: the association between positive psychological well-being and cardiovascular health. *Psychological bulletin*, 138(4), 655–691. <https://doi.org/10.1037/a0027448>
- Boehm, T., & Schlottmann, A. (2004). Wealth Accumulation and Homeownership Evidence for Low-Income Households. Dec. 2004,

- <https://www.huduser.gov/publications/pdf/wealthaccumulationandhomeownership.pdf>  
Case, A., Lubotsky, D., & Paxson, C. (2002). Economic status and health in childhood: the origins of the gradient. *The American Economic Review*, 92(5), 1308–1334.  
<https://doi.org/10.1257/000282802762024520>
- CFPB (2015). *Measuring financial wellbeing: A guide to using the CFPB financial wellbeing scale*. Consumer Financial Protection Bureau.
- Guo, B. (2010). Beyond the public safety net: The role of nonprofits in addressing material hardship of low-income households. *Nonprofit and Voluntary Sector Quarterly*, 39(5), 784–801. <https://doi.org/10.1177/0899764009334307>
- Habitat for Humanity (2023) How to qualify for a habitat home. Retrieved February 25, 2023, at: <https://www.habitat.org/housing-help/apply>
- Hansen, C. W. (2012). The relation between wealth and health: Evidence from a world panel of countries. *Economics Letters*, 115(2), 175–176.  
<https://doi.org/10.1016/j.econlet.2011.12.031>
- Hayes, A. F. (2013). *Introduction to mediation, moderation, and conditional process analysis: A regression-based approach*. Guilford Press.
- Hays, D., & B. Sullivan, (2022). “The wealth of households: 2020,” Current Population Reports, P70BR-181, U.S. Census Bureau, Washington, DC.  
<https://www.census.gov/content/dam/Census/library/publications/2022/demo/p70br-181.pdf>
- IBM Corp. (2021). IBM SPSS statistics for Windows (Version 28.0) [Computer software]. IBM Corp.
- Iowa Heartland Habitat for Humanity (2023). Iowa Heartland Habitat for Humanity. Retrieved March 24, 2023, at: <https://www.webuildhabitat.org/about/about-us>.
- Joshanloo, M. (2019). Investigating the relationships between subjective well-being and psychological well-being over two decades. *Emotion*, 19(1), 183–187. <https://doi.org/10.1037/emo0000414>
- Killewald A., & Bryan, B. (2016). Does your home make you wealthy? *RSF: The Russell Sage Foundation Journal of the Social Sciences*, 2(6), 110–28.  
<https://doi.org/10.7758/RSF.2016.2.6.06>
- Lindner, J. R., Murphy, T. H., & Briers G. E. (2001). Handling nonresponse in social science research. *Journal of Agricultural Education*, 42(4), 43–53.  
<https://doi.org/10.5032/jae.2001.04043>
- Lombardo, P., Jones, W., Wang, L., Shen, X., & Goldner, E. M. (2018). The fundamental association between mental health and life satisfaction: Results from successive waves of a Canadian national survey. *BMC public health*, 18(1), 342.  
<https://doi.org/10.1186/s12889-018-5235-x>
- Marcuse, P.M. (1975). Residential alienation, home ownership and the limits of shelter policy. *Journal of Sociology and Social Welfare*, 3, 10.
- Neal, M., Choi, J. H., & Walsh, J. (2020). *Before the pandemic, homeowners of color faced structural barriers to the benefits of homeownership*. Washington, DC: Urban Institute, 500.
- Nießen, D., Schmidt, I., Groskurth, K., Rammstedt, B., & Lechner, C. M. (2022). The Internal-External Locus of Control Short Scale-4 (IE-4): A comprehensive validation of the English-language adaptation. *PloS one*, 17(7), e0271289.  
<https://doi.org/10.1371/journal.pone.0271289>
- Nikolaev, B. (2018). Does higher education increase hedonic and eudaimonic happiness? *Journal of Happiness Studies*, 19, 483–504. <https://doi.org/10.1007/s10902-016-9833-y>

- Odermatt, R., & Stutzer, A. (2022). Does the dream of home ownership rest upon biased beliefs? A test based on predicted and realized life satisfaction. *Journal of Happiness Studies*, 23(8), 3731–3763. <https://doi.org/10.1007/s10902-022-00571-w>
- Penedo, F. J., & Dahn, J. R. (2005). Exercise and well-being: a review of mental and physical health benefits associated with physical activity. *Current Opinion in Psychiatry*, 18(2), 189–193. <https://doi.org/10.1097/00001504-200503000-00013>
- Rodgers G. B. (2002). Income and inequality as determinants of mortality: an international cross-section analysis. 1979. *International Journal of Epidemiology*, 31(3), 533–538. <https://doi.org/10.1093/ije/31.3.533>
- Rohe, W.M., & Stegman, M.A. (1994). The effects of homeownership: On the self-esteem, perceived control and life satisfaction of low-income people. *Journal of The American Planning Association*, 60, 173–184.
- Rosenberg, M. (1979). *Conceiving the self*. New York: Basic Books.
- Schaeffer, K. (2022). Key facts about housing affordability in the U.S. Pew Research Center, Pew Research Center, March 23, 2022, <https://www.pewresearch.org/fact-tank/2022/03/23/key-facts-about-housing-affordability-in-the-u-s/>.
- Sebastian, W. & Renz, T. (2022). In debt but still happy? Examining the relationship between homeownership and life satisfaction. SOEP papers on Multidisciplinary Panel Data Research, No. 1164, Deutsches Institut für Wirtschaftsforschung (DIW), Berlin
- Tran, M., Gannon, B., & Rose, C. (2023). The effect of housing wealth on older adults' health care utilization: Evidence from fluctuations in the U.S. housing market. *Journal of Health Economics*, 88, 102737. <https://doi.org/10.1016/j.jhealeco.2023.102737>
- Tremblay, K., & Dillman, D. (1983). *Beyond the American housing dream: Accommodation to the 1980s*. New York: University Press of America.
- Williams, A. P. (2015). Lending discrimination, the foreclosure crisis and the perpetuation of racial and ethnic disparities in homeownership in the US. *William & Mary Business Law Review*, 6(2), 601-661.
- Yun, L., & Evangelou, N. (2016). Social benefits of homeownership and stable housing. National Association of Realtors, Research Division.
- Zhao, X., Lynch, J., & Chen, Q. (2010). Reconsidering Baron and Kenny: Myths and truths about mediation analysis. *Journal of Consumer Research*, 37, 197–206. <https://doi.org/10.1086/651257>

## **Author Biographies**

Esha Jayswal is a recent graduate with degrees in Accounting and Economics from the University of Northern Iowa. She was an active student in the University Honors Program and completed an honors thesis in collaboration with Iowa Heartland Habitat for Humanity. She is an analyst within Wells Fargo's Corporate and Investment Banking Division.

Joseph Ugrin PhD, CPA is a Professor, RSM Endowed Chair, and Head of the Department of Accounting at the University of Northern Iowa. He has published dozens of research articles in accounting, business, and psychology, and serves as the associate editor for *Advances in Accounting* and on the editorial boards of other accounting and business journals. He is a past board member and treasurer for Iowa Heartland Habitat for Humanity.

Disa Cornish PhD, CHES, is an Associate Professor of Public Health at the University of Northern Iowa. She teaches courses in Epidemiology, Maternal and Infant Health, and Planning and Evaluation of Public Health Programs, among others. Her research has focused on public health program evaluation and maternal and child health.

Brent Buhr MD, CTropMed® is an Internal Medicine Physician and is Board Certified by The American Board of Internal Medicine. He is Assistant Medical Director at Peoples Community Health Clinic in Waterloo, IA, and a current board member of Iowa Heartland Habitat for Humanity. He is a physician and founding member of the UnityPoint Prairie Parkway LGBT Clinic in Cedar Falls, IA, a nationally award-winning clinic recognized by The American Board of Internal Medicine for its efforts to improve patient trust in healthcare, an Adjunct Associate Professor of Internal Medicine for Des Moines University College of Medicine, and holds a Certificate of Knowledge in Tropical Medicine and Travelers' Health from the American Society of Tropical Medicine & Hygiene.

Ali Parrish is the Executive Director of Iowa Heartland Habitat for Humanity. A former President of the Board of Directors for Habitat for Humanity of Iowa, she has demonstrated both statewide and national leadership through her work with several committees and advisory groups for Habitat for Humanity International. In addition to her broader impact, Ali plays a key role in local neighborhood development, serving on coalitions and action teams dedicated to revitalizing the Walnut and Church Row neighborhoods in Waterloo, Iowa.

**Appendix A**

**Item Correlations**

		Treat- ment	FW	PW	LS	Health	Age	MS	ED	ES
Treatment	Correlation	1								
	Sig. (2-tailed)									
	N	184								
Financial Wellbeing (FW)	Correlation	.285**	1							
	Sig. (2-tailed)	<.001								
	N	184	184							
Psychological Wellbeing (PW)	Correlation	.224**	.453**	1						
	Sig. (2-tailed)	.002	<.001							
	N	184	184	184						
Life Satisfaction (LS)	Correlation	.445**	.547**	.582**	1					
	Sig. (2-tailed)	<.001	<.001	<.001						
	N	184	184	184	184					
Current Health (Health)	Correlation	.003	.268**	.356**	.365**	1				
	Sig. (2-tailed)	.965	<.001	<.001	<.001					
	N	184	184	184	184	184				
Age	Correlation	.469**	.131	.093	.147*	-.133	1			
	Sig. (2-tailed)	<.001	.077	.209	.047	.071				
	N	184	184	184	184	184	184			
Marital Status (MS)	Correlation	-.249**	-.036	-.095	-.085	.037	-.155*	1		
	Sig. (2-tailed)	<.001	.629	.200	.250	.615	.036			
	N	184	184	184	184	184	184	184		
Educational Attainment (ED)	Correlation	.291**	.098	.216**	.240**	-.043	.222**	-.238**	1	
	Sig. (2-tailed)	<.001	.188	.003	.001	.564	.002	.001		
	N	184	184	184	184	184	184	184	184	
Employment Status (ES)	Correlation	-.165*	-.058	-.222**	-.232**	-.223**	.078	-.058	-.203**	1
	Sig. (2-tailed)	.025	.433	.002	.002	.002	.292	.431	.006	
	N	184	184	184	184	184	184	184	184	184
Annual Income (INC)	Correlation	.348**	.321**	.208**	.422**	.218**	.090	-.191**	.304**	-.304**
	Sig. (2-tailed)	<.001	<.001	.005	<.001	.003	.224	.009	<.001	<.001
	N	184	184	184	184	184	184	184	184	184

---

## *Journal of Public and Nonprofit Affairs*

Vol. 10, No. 2

---

# **Public Budgeting Best Practices for Cross-sector Collaborations: Emphasizing the Values of Social Equity, Transparency and Accountability, and Ethics**

Michael E. M. Lee – University of Nebraska Omaha

Cross-sector collaboration has become a major emphasis in collective action as governments, private corporations, and nonprofits work together to tackle today's complex issues. The existing cross-sector collaboration literature primarily addresses major events like natural disasters, e.g., hurricanes and wildfires, and the COVID-19 pandemic. However, there is a significant gap in the public administration literature regarding cross-sector collaboration in addressing underlying social and financial issues. This paper discusses the need for public budgeting best practices through cross-sector collaboration in three areas: (1) equity; (2) transparency and accountability; and (3) ethics. Through the collaborative governance theory, each sector—public, private, and nonprofit—can contribute to the integration of resources, networks, and approaches for the benefit of citizens. This paper concludes by highlighting key implications for theory and praxis, including an increase in public trust and a greater emphasis on inclusivity in the budgeting process.

Keywords: Public Budgeting, Cross-Sector Collaborations, Social Equity, Transparency, Accountability, Ethics, Best Practices

### **Introduction**

As natural disasters, the spread of diseases such as the recent COVID-19 pandemic, and failing economies become more frequent and extensive, agencies across sectors—public, private, and nonprofit—are coming together more often than before to find solutions to these complex events. Research in cross-sector collaboration has also risen in the past decade (Bryson et al., 2015). However, lacking in this research arena is a focus on cross-sector collaboration regarding underlying chronic social problems and financial issues experienced by many individuals, families, and communities. In all sectors, more should be done to integrate the concepts of social equity, transparency and accountability, and ethics into current budgeting practices. Through a collaborative governance lens, best budgeting practices can be instilled to inform the decisions and actions of those in power. This paper thus seeks to provide practical steps that can be taken to shape the norms, structures, and regulations of sectors where social equity, transparency and

Lee, M. E. M (2024). Public Budgeting Best Practices for Cross-sector Collaborations: Emphasizing the Values of Social Equity, Transparency and Accountability, and Ethics. *Journal of Public and Nonprofit Affairs*, 10(2), 251-272. <https://doi.org/10.20899/jpna.243ptf12>

accountability, and ethics can be adequately demonstrated in budgeting practices. Additionally, solutions to foreseeable challenges in this endeavor will be offered with the hopes that all sectors become more intentional in carrying out these budgeting best practices.

While cross-sector collaboration often aims to provide immediate solutions for specific clients or events, this paper targets an issue with a long history of negative repercussions. In this context, cross-sector collaboration refers to the collective insights and actions demonstrated among the private, public, and nonprofit sectors in addressing complex challenges. The remainder of this paper is organized as follows. The next section addresses how collaborative governance can help sectors integrate social equity, transparency and accountability, and ethics into their budgeting practices. This paper then presents three propositions outlining how cross-sector collaboration can achieve budgeting best practices on the values of social equity, transparency and accountability, and ethics with examples and relevant literature from each sector. The following section then addresses the barriers and solutions to establishing budgeting best practices with a focus on pedagogy, conditions, and constraints. This paper then summarizes the public budgeting best practices covered with their practical implications. Finally, the study concludes with key takeaways and suggestions for future studies.

### **Collaborative Governance Theory**

In cross-sector collaboration, the act of governing is often used to explain the outcome of a collaborative effort. While the public sector traditionally associates governance with government control (Vigoda, 2002), Bingham (2011) explains that governance is more than just the public sector, "... governance entails activity among multiple actors with potentially overlapping jurisdiction" (p. 386). Furthermore, the dissection of collaboration and governance is crucial. O'Leary et al. (2006) define collaboration as the "means to steer the process that influences decisions and actions within the private, public, and civic sectors" (p. 7) while Ostrom (1990) refers to governance as predetermined norms and rules designed to control individual and group behavior. And, with an objective and broad view, Emerson et al. (2012) define collaborative governance as "... the processes and structures of public policy decision making and management that engage people constructively across the boundaries of public agencies, levels of government, and/or the public, private and civic spheres to carry out a public purpose that could not otherwise be accomplished" (p. 2). Hence, collaborative governance can occur with and without it crossing one or more sectors.

Additionally, collaborative governance allows for a structured process of cooperation with the intent of achieving a greater outcome. An example of this is through civic engagement where public agencies, nonprofit organizations, or private corporations collaborate with citizens on various projects. As defined by Ansell and Gash (2007), Collaborative governance is a "... method of collective decision making where public, [private, or nonprofit] agencies directly engage nonstate stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy or manage programs or assets" (p. 544). Again, this so-called collective "elevated solution or product" is a direct result of contributions made not only by each sector but within respective sectors as well.

In terms of social equity, Jos (2016) shares, "Collaborative governance provides a useful framework for exploring how a concern with fair process and procedures takes on new meaning and significance in forms of new governance, providing expansive opportunities for advancing social equity" (p. 765). As for transparency and accountability, Bingham (2010) speaks of these principles as part of the six key values under administrative law that demonstrate the legitimacy



of agency authority (pp. 303–305). Additionally, Amsler (2016) highlights transparency and accountability as important outcomes in the collaborative governance framework when addressing questions of management. Last, Scott and Merton (2021) speak of collaborative governance as essential in tackling complex social problems, especially when it comes to ethics. The authors highlight the need for public engagement to uphold the values and principles of public service. Milward and Provan (2003) also add to this dialogue of ethics by advocating for collaboration over competition to reduce the likelihood of conflicting interests or unrealistic promised services in partnerships.

The structure of collaborative governance is also an important component of the collaborative process, where its strength can ultimately determine the likelihood of achieving desired outcomes. This aspect of structures, sometimes referred to as “institutions,” is what theorists believe to be the key factor impacting decision-making. Dobbin (2004) explains, “Institutions range in complexity from simple customs of exchange to elaborate modern states. The American state is, in the end, a huge agglomeration of smaller conventions, some informal and others codified. Institutions, large and small, shape human behavior not only by providing behavioral scripts, but by representing the relationships among things in the world” (p. 5). This mix of acceptable and unacceptable behaviors are actions that are regulative, normative, and unique to each sector. Hence, with each sector’s distinct institutions, it is imperative in the collaboration that these established routines can harmonize to ensure a unified decision-making process and “... provide stability and meaning to social life” (W. R. Scott, 2014, p. 56).

Finally, another key element of the collaborative governance theory is the strength of the networks within and between sectors during collaboration. This network concept underscores the inherent interconnectedness of individuals as social beings. Dobbin (2004) explains, “Your network influences how you behave and your understanding of how people in other roles should behave. Social networks are the carriers of new economic practices and new ideas of what it means to be rational and efficient” (p. 5). As sectors collaborate to solve problems that otherwise cannot be solved by a single sector alone, a crossing of jurisdiction is bound to happen. When this happens, sectors must utilize and contribute their network resources to the collaboration in a respectful way. This will not only increase the effectiveness of the collaboration but will also help facilitate a seamless blending of unique networks that are intricate and complex. Furthermore, as “... networking is more commonly applied to a variety of situations where organizational boundaries are crossed” (Agranoff, 2017, p. 171), the management of the collaboration should be structured in an impartial manner where no network is above another. Only through such a nonhierarchical agreement can sectors appropriately “... exchange information, build mutual capabilities, build collaborative services strategies, and solve programming/policy problems at points of service” (Agranoff, 2012, p. 39). Overall, the type of collaborative governance emphasized in this paper is cross-sector collaboration where all sectors are engaged in a respectful, rational, mutual, and intentional manner to tackle difficult issues that are beyond the capacity of siloed decision-makers.

### **Cross-sector Collaboration: Embracing Values of Public Budgeting Best Practices**

The following section presents three propositions, each as a synthesis of how cross-sector collaboration can act as a catalyst in enhancing social equity, transparency and accountability, and ethics through public budgeting best practices.

#### *Social Equity*



*Proposition 1: Cross-sector collaboration can bring about greater inclusion by embracing social equity at all levels of the budgetary process, specifically, through its structures, norms, and routines.*

According to United Way, social equity “... in its simplest terms as it relates to racial and social justice, means meeting communities where they are and allocating resources and opportunities as needed to create equal outcomes for all community members” (United Way NCA, 2021, para. 8). They believe that everyone deserves hope, respect, and a fair chance. This is certainly different than social equality “... where each individual or group of people is given the same resources and opportunities, regardless of their circumstances” (United Way NCA, 2021, para. 9). While equality being traced back to the 14<sup>th</sup> Amendment of “... equal protection of the laws” has shown respectable good in the fight against inequality, there are some inherent flaws in the term itself. The vital difference between these two terms is that equity recognizes the different circumstances and needs of individuals and groups while equality allocates the same resources across the board regardless of their actual needs.

This numerical difference in resource allocation is affirmed by Guy and McCandless (2012) in their distinction of equality and equity. They explain that “... while equality can be converted into a mathematical measure in which equal parts are identical in size or number, equity is a more flexible measure allowing for equivalency while not demanding exact sameness” (p. 5). As for the contextual and environmental circumstances exemplified in social equity, Gooden (2015a) reinforces the importance of recognizing “... historical, political, social, and economic influences that structurally influence the prospects for access, opportunity, and outcomes” (p. 213; see also Blessett et al., 2019, pp. 284–285). Fundamentally, this paper emphasizes the notion that equality is different from equity and that for one to truly fulfill the intended objectives of social equity, the circumstances of various marginalized groups—past and present—would need to be openly recognized and addressed. How, then, can the concept of social equity achieve its intended outcome of leveling the playing field?

To adequately address this question, a cross-sector collaboration approach, in which all sectors are engaged in the establishment of norms and structures demonstrating a commitment to more socially equitable budgeting practices, is taken. For instance, organizations in every sector should include social equity as a core focus in their mission and value statements. This inclusion of social equity not only sets the tone for budgeting priorities in the decision-making process but appropriately guides policies and actions within the organization. McDonald and McCandless (2022) support this idea as “... far fewer public resources have been spent improving access, processes, quality, and outcomes for historically marginalized groups” (p. 241).

### *Social Equity in Budgeting Best Practices*

With the foundation laid where social equity is part of the core priorities in organizations across all sectors, specific actions in the budgeting process of all sectors can be taken. An example from the public sector is that instead of allocating funds toward a specific department like Public Works, a focus on essential programs or services such as snow removal, housing improvement projects, or transit development in traditionally red-lined neighborhoods is a crucial step in achieving socially equitable outcomes (Kavanagh & Kowalski, 2021).

Rubin and Bartle (2005) also provided a way through “gender-responsive budgeting,” which is used “... to denote a government budget that explicitly integrates gender into any or all parts of the decision-making process regarding resource allocation and revenue generation” (p. 259–260). Two specific examples demonstrating a gender-responsive budget are (1) paid leave for mothers and (2) retirement expenditures for women. Many single women who enter the

workforce often delay childbearing or work extra hours to save up for when they do have children. As such, organizations could intentionally include a portion of their budget specifically for mothers on maternal leave or any single parent for that matter. As for retirement expenditures, Rubin and Bartle (2005) explains, “Because women usually earn less than men (and are more likely to have interrupted work lives), they contribute less to their retirement funds and thus receive lower average social insurance payments upon retirement” (p. 260).

Another important concept of gender-responsive budgeting is called, “gender blindness” (Elson, 1999). Elson explains that “... if revenue and expenditure decisions have differential impacts on men and women, the budget is not gender neutral; to ignore the differences constitutes what has been termed” (Rubin & Bartle, 2005, p. 260). This concept is notably demonstrated in the private sector through its normative valuing of meritocracy. It is important to realize that, unlike nonprofit and government sectors, for-profit budgeting is aimed at turning a profit. As such, the private sector encourages a competitive environment of a performance-based approach where rewards are largely based on how well you perform regardless of your background. Pinto and Coulson (2011) explain, “Meritocratic thinking eliminates any discussion or acknowledgement of privilege, and denies the existence of inequity” (p. 15). Essentially, through a neutral baseline of the status quo, male privileges and primacy in the workplace are ignored through the false presumption that everyone regardless of their social, physical, and economic background has an equal foundation to rise to the occasion. Hence, for the private sector to fully embrace social equity in their budgets, it “... must be willing to see itself as a co-conspirator in the pursuit of social justice and inclusion alongside other anchor institutions such as government, NGOs, and academia” (Washington, 2021, para. 6). Ultimately, overcoming gender blindness should be a core focus when engaging in gender-responsive budgeting. Organizations in all sectors can become more socially equitable, as they recognize and address this false idea of meritocracy in budgeting.

Many of the mentioned best practices can be carried out in all sectors, as a budget is fundamentally a financial document that guides how an organization manages its financial resources. Hence, one way in which the budget can embrace social equity is to direct some of its resources into creating an environment of diversity and inclusion in the workplace. This approach called “diversity management” is defined by Ivancevich and Gilbert (2000) as “... the commitment on the part of organizations to recruit, retain, reward and promote a heterogeneous mix of productive, motivated, and committed workers including people of color, females, and the physically challenged” (p. 21s). Again, it is not so much about the numbers on a financial document as it is about the impact that comes from deliberate, meaningful, and long-term focused changes. Furthermore, this inclusive movement can then become a philosophical model that permeates through an organization’s budgeting process.

Collaboratively, government-led initiatives like the Social Innovation Fund (SIF) engage foundations, nonprofits, and social entrepreneurs in providing financial support for the development of creative solutions to meet community needs (Gitterman et al., 2021). Similarly, the community schools model integrates fiscal efforts from public schools, local governments, nonprofits, and businesses to address educational disparities (NEA, 2023). In the realm of transportation, The Urban Land Institute and the Annie E. Casey Foundation organized a forum uniting private sector developers, governments, and transit providers toward socially equitable transit-oriented developments (Stern et al., 2011). This collaborative approach expanded housing options, connected residents to transportation opportunities, and prioritized disadvantaged communities. Overall, these examples illustrate how cross-sector collaboration can channel diverse resources to effectively tackle complex societal challenges and promote social equity. Becker and Smith (2018) also stress that leaders in various sectors can strengthen their ability to

address income inequality, improve education, and enhance healthcare access by investing in the development and refinement of a shared vision for social equity in budgeting as shown above. This shared vision can also serve as a critical framework for evaluating policies, practices, and programs to create an inclusive environment for those who are systemically marginalized.

In all sectors, management should revisit the priorities of their budgets to include the above-mentioned groups where a shift in the culture and norms could be more focused on social equity. It's really about who we serve and how we align our vision, mission, and goals of our organization to incorporate these elements. Additionally, it's also about who is within your organization. By revisiting their budget structure and priorities, all sectors can collectively work towards incorporating the values of social equity in their respective systems. This would then enable the effective provision of services to individuals and communities with varying circumstances and needs.

### *Transparency and Accountability*

*Proposition 2: Cross-sector collaboration can increase public trust through an emphasis on transparency and accountability in the budgeting process.*

There are many ways in which transparency and accountability are defined and expressed in public administration. Ekila (2020) defines transparency in public administration as having easy access to public information such as, "... policy documents and memos" (p. 2). Accountability, on the other hand, is described as a "... process of being called to account to some authority for one's actions" (Mulgan, 2000, p. 555). From a legal perspective, Stein (2019), describes transparency as "... citizens having an inherent right to know the truth about public issues and how the government ensures that this right is met" while accountability targets "administrative responsibility through which officials are held answerable for general notions of democracy and morality as well as for specific legal mandates" (paras. 1-2). Finally, one of the more well-cited definitions of fiscal transparency that covers the broader aspects of financial responsibility and reporting is taken from Kopits and Craig (1998), where it is defined as an "... openness toward the public at large about government structure and functions, fiscal policy intentions, public sector accounts, and projections" (p. 1). Overall, transparency in budgeting should be about the ease of accessing financial information with accountability holding leaders responsible for budgetary actions.

### *Transparency and Accountability in Budgeting Best Practices*

While there is no one definition of transparency and accountability, most governments are adopting freedom of information as a principle to demonstrate these attributes (Cucciniello and Nasi, 2014). An example of this is the Governmental Accounting Standards Board (GASB) established in 1984. GASB is an independent, private-sector organization that offers accounting and financial reporting standards for U.S. state and local governments. It develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports (About the GASB, 2021). Two other examples from the public sector in which transparency and accountability are demonstrated are the Freedom of Information Act (FOIA) in 1967 and the Government in the Sunshine Act of 1976, which was an amendment to the FOIA in that "every portion of every meeting of an agency shall be open to public observation" (*Government in the Sunshine Act*, n.d., para. 3). In essence, "the FOIA and the Sunshine Act use transparency and public participation to ensure accountability, limiting secret or confidential collaboration" (Amsler, 2021, p. 87). Similar guidelines are also exemplified at the state and local levels through their respective transparency and accountability laws and ordinances.

With these legal acts and guiding principles in place, have transparency and accountability in public budgeting increased? While some research has indicated that accountability and transparency in administrative operations and performance have led to greater trust in government (Gant et al., 2002), other studies have found otherwise. In a World Bank study, it was reported that “all 10 projects studied lacked transparency and/or failed to consult with affected communities, and undermined democratic accountability” (Romero & Ravenscroft, 2018, p. 4). Hence, how can transparency and accountability in public budgeting be better represented through collaboration?

Ndou (2004) shares that websites can be a valuable resource for transparency if they are constructed intently and openly, as citizens, businesses, and other stakeholders can access information on political, corporate, and governmental issues as well as reference laws and policies. Two websites in the nonprofit sector that make nonprofit information and finances accessible to the public are Guidestar and CharityWatch. These online information services also rate nonprofits according to how transparent they are and the quality of information they provide. While websites serve as a reliable platform for openness and accessibility, all three sectors should seek to ensure that transparency and accountability are top priorities in the budgeting process. Page et al. (2015) state, “... democratically accountable collaborative governance involves transparent, open decision processes that are responsive to authorizers, stakeholders, and citizens” (p. 718). This is an important viewpoint, as the reporting requirements for the private sector are a lot lower than for the public and nonprofit sectors.

In an empirical study regarding the extent of transparency in nonprofit organizations, Moreno-Albarracín et al. (2021) found that the structure and composition of a nonprofit’s budgeting process and activities are the most important indicators that reflect transparency. However, for the private sector, even though organizations are required to provide their financial documents to the state where they reside, private companies are not obliged to reveal any financial information to the public (Tarver, 2021). Public and nonprofit agencies on the other hand are required to produce financial reports that are accessible to the public.

Nevertheless, cross-sector collaboration is exemplified through each sector’s effort to enhance transparency and accountability in the budgeting processes. As mentioned, government initiatives like GASB establish transparent accounting standards through an inclusive process to deliver valuable financial information to taxpayers and public officials. Legislative acts like the FOIA and the government in the Sunshine Act prioritize openness and public participation to ensure accountability. As for nonprofit organizations, platforms like Guidestar and CharityWatch offer accessible information and ratings to encourage transparency. Finally, the private sector has also shown a commitment to transparency and accountability with regulations like the Securities Exchange Act of 1934 that tackle financial exchange inaccuracies.

On a global scale, cross-sector collaboration also plays a pivotal role in enhancing transparency and accountability in the budgeting processes. Programs like the Open Budget Initiative led by the International Budget Partnership (IBP) and the Global Initiative for Fiscal Transparency (GIFT) exemplify the power of collaboration across various stakeholders. The Open Budget Initiative fosters partnerships with civil society groups, private corporations, community organizers, and governments across more than 100 countries (IBP, 2023). This program not only strives to ensure public access to budget-related information but also facilitates public engagement in the budgeting process. Through the production of the Open Budget Survey, the initiative assesses and compares budget transparency, participation, and oversight internationally. Similarly, the GIFT encourages conversation among governments, international

financial institutions, civil society groups, and relevant stakeholders to establish fiscal transparency and accountability as global standards (GIFT, 2021). Notably, the GIFT produced the high-level principles on fiscal transparency, participation, and accountability, a comprehensive framework for elevating fiscal openness. Together, these collaborative actions, shown both globally and across sectors through various initiatives, frameworks, laws, and regulations, not only bolster transparency and accountability in the budgeting process but also empower citizens to actively participate in and monitor budget activities.

It should also be noted that, while transparency and accountability in the public sector are highlighted to bring about confidence in governments, private sector emphasis on transparency and accountability is designed to give confidence to capital markets. Also, with profit-making being a priority in the private sector, validity regarding the quality and accuracy of transparency and accountability is often questioned (Tregear & Jenkins, 2007). Furthermore, with public-private partnerships or government contracts becoming a frequent strategy by governments to provide public services, greater transparency and accountability in the budgeting process are needed to ensure the responsible use of taxpayers' money. On this note, Landow and Ebdon (2012) highlight that, while such partnerships are often necessary, they should prioritize the public's best interest. This can be achieved by involving public authorities or fostering democratic participation. Public authorities are beneficial because they operate without political compromises (Mitchell, 1992), while democracy encourages citizen engagement in decision-making (Redford, 1969). Erkkilä (2020) shares, "... transparency is a relevant concept for private corporations and ... public administration." Ultimately, in any collaboration, there needs to be clarity in the financial responsibilities among collaborators which includes accurate financial reporting by all parties involved.

Collaboration toward greater transparency and accountability in public budgeting best practices also extends to citizen participation. While it is recognized in theory and practice that the public must be more involved in public decisions, many administrators are wary about public involvement with some even finding it problematic (C. S. King et al., 1998). Cucciniello and Nasi (2014) feel that citizens are hardly involved in the government's decision-making process with decisions usually motivated by efficiency. They, however, believe that citizen participation could assist governments in knowing the needs of their citizens, thereby facilitating the creation of public value. Additionally, participatory budgeting can help bring about the idea of social accountability which Malena et al. (2004) refer to as a broad range of actions and mechanisms that citizens, communities, independent media, and civil society organizations can use to hold public officials and public servants accountable. Anheier (2009) shares, "They complement and reinforce conventional mechanisms of accountability such as political checks and balances, accounting and auditing systems, and administrative rules and legal procedures" (p. 1087). Overall, if all sectors practice accountable and transparent budgeting, public confidence and satisfaction regarding the use of tax dollars or private investment can increase. A sense of financial security within the general public can thus be created from knowing that organizations, regardless of sector, can operationalize their spending sustainably and wisely.

### *Ethics*

*Proposition 3: Cross-sector collaboration can effectively address ethical issues of insufficient administrative capacity and conflicts of interest in public budgeting.*

While ethical issues in public budgeting can come in many forms such as corruption, bribery, nepotism, or just bad administration, this section focuses on issues regarding a conflict of interest or insufficient administrative capacity. Alexander (1999) also notes that budget complexities have risen with chief administrators being expected to consider the interests of other public agencies,

nonprofit groups, private organizations, and individual citizens during the decision-making process. Hence, with increasing intricacies in the budgeting process, sectors can certainly benefit from collaborating through the sharing of resources and networks, which could then assist in meeting the varying needs of each sector.

*Ethics in Budgeting Best Practices*

While the term “ethics” has many nuances and implications such as integrity, fairness, moral principles, and responsibilities among many others, “the most agreed-upon core of administration ethics is serving the public interest” (Menson, 1990, p. 97). The first point of the American Society for Public Administration’s code of ethics also shares an identical view where ethics is about promoting the interests of the public and putting service to the public above service to oneself (ASPA, 2013). When connected to budgeting practices, ethics is about the responsible use of tax dollars, donations, private funds, investments, or any other financial resource where the focus is on the interest of the public and those you serve. When ethical issues do arise, they are usually a result of day-to-day operations, i.e., the norms and culture of the workplace due to a conflict of interest in values between organizations. Additionally, a conflict of interest could also result from an individual’s resistance to an organization’s code of ethics. This is largely due to personal or philosophical bias, which is commonly expressed in financial terms when individuals pursue personal gain over and outside the organization’s mission and values (Menson, 1990).

Franklin and Raadschelders (2003) state, “Obviously, legal, political, technocratic, and democratic values and rules serve as a source of guidance but the notion that individual preferences and values play a role at least suggests the possibility that personal morality is also a potential source of guidance” (p. 461). This means that, if there is a lack of leadership and support from a judicial, governmental, technocratic, or democratic source, decision-makers in budgeting will most likely revert to their fifth source—their individual values. On this note, Pugh (1991) cautions against relying on personal values due to the innate subjectivity of oneself. Instead, Pugh calls for a value-neutral approach where budgeting is governed by rationality. This is of course unrealistic as most ethical issues involve some form of discretion when a decision is made. Chapman (2001) explains, “Deciding what ought to be done in many particular circumstances is a personal, and not purely an institutional, matter” (p. 6). It should also be noted that conflicts of interest do not just arise from the fact that decision-making involves multiple sectors or multiple individuals. Sometimes, the intent of the decision consists of competing objectives. Rossmann and Shanahan (2012) believe “... that democratic values such as participation and efficiency are in tension with one other” (p. 56). In such a complex environment of potentially competing values within and between sectors, organizations and individuals of each sector should therefore embody rationality and personal morality in their budget decision process. As each sector makes an effort to identify possible scenarios of ethical dilemmas, a shared pool of knowledge can be developed in preparing their respective “employees for the challenge of making a morally defensible decision in a crisis situation” (Menzel, 2015, p. 348). Additionally, as the focus of ethical budgeting decisions is on the public, incorporating citizen participation in the budgeting process can help add another safeguard to potential conflicts of interest such as when the public stops becoming a priority.

In the nonprofit sector, competing interests could arise due to donor support for a specific cause that might be in opposition to that of a nonprofit organization or from charitable contributions that are contingent on expected branding or favors. Sometimes, this conflict of interest is between the government and nonprofit organizations that depend on them for funding. This is also more pertinent in developing countries where government revenues represent a significant source of donor funding (Carlitz, 2010). Nevertheless, such partnerships with governments, nonprofits,

and private donors are important to increase the resource capacity necessary for adequate service delivery.

Another form of conflicting interests among sectors and the public is the misrepresentation or manipulation of budgets, which tends to occur during periods of fiscal stress. In the nonprofit and private sectors, agencies could misreport administrative and financial information to obtain favorable tax benefits (Pokhrel, 2017). Whereas in the public sector, governments could manipulate budgets to take on more debt and expenditures, which not only goes against budgeting best practices but can also lead to an unsustainable budget (Adler & Sacco, 1995; Goldberg & Neiman, 2014; Gorina, 2018; Peng, 2004; Splinter, 2017). Also, during the COVID-19 pandemic, Dyer (2021) called out the issue of varying vaccine prices for different customers and potential profit-making as competing interests in providing equitable access to essential resources. This practice, considered normal within the industry, clashes with broader ethical considerations, as highlighted by concerns raised by the WHO's secretary general regarding potential moral and economic consequences. Finally, Utah's pandemic procurement involving personal contacts and noncompetitive contracts underscored the risks of favoritism and potential misuse of funds (Rodgers & Stevens, 2020). Overall, these examples demonstrate in one way or another ethical budgeting issues regarding competing interests.

In terms of administrative capacity, Comfort et al. (2011) recognize that the capacity of governments to successfully cope with the increasing intricacies of public service design and delivery at all levels of operation has decreased. This decline is called the "hollow state," which further suggests that the diminishing capacity of government is due to the rising demands of complicated, interdependent, and costly public administration (Milward & Provan, 2003, p. 1). Furthermore, budgeting practices through insufficient administrative capacity would most often lead to inaccurate financial reporting and management, which usually results in devastating outcomes. Ultimately, ethics in budgeting concerns the use of financial resources in a responsible way and focuses on serving the public interest in the best way possible. Through cross-sector collaboration, the support needed in an environment of competing interests and declining administrative capacity can be provided.

An example of this concept of cross-sector assistance is mentioned by Le Pennec and Raufflet (2018). They suggest through former case-based research that nonprofit organizations gain capacity through their participation in cross-sector partnerships. Shumate et al. (2018) also highlight two mechanisms by which these partnerships are done. First, information and resources may be directly transferred from one organization to another. The second mechanism is done through an interactive process where collaboration not only increases learning opportunities but also the development of adaptive capacity, which can then lead to better financial management, planning, and communication. Two specific examples illustrating this positive outcome were observed in Cincinnati and San Diego. In both cases, a collaborative effort was undertaken by local government officials, business representatives, nonprofit leaders, and community groups to tackle certain social issues. Specifically, Cincinnati focused on enhancing family and children welfare services (Johnson et al., 1991), while San Diego directed its attention toward resolving homelessness (SDHC, 2023).

Ultimately, both examples showed how a coordinated funding strategy not only reduced the administrative duplication of resources between agencies but also decreased the frequency of competing interests in organizational funding. Furthermore, budget allocations were shown to be maximized in both scenarios. Finally, in the aftermath of Hurricane Katrina, a collaboration involving nonprofits, businesses, and federal agencies proved necessary. Through coordinated planning and the sharing of resources, the collaboration successfully navigated competing budget

interests and overcame organizational conflicts, which enabled them to provide more consistent aid and support than what individual groups could have managed (Pache et al., 2022; Serrao-Neumann et al., 2015). These examples show that, with a rise in capacity and sharing of ideas through cross-sector collaboration, ethical issues stemming from conflicts of interest and insufficient capacity can be reduced. Again, with each sector demonstrating a greater discipline in ethical budgeting practices, not only will public trust in each sector be strengthened but partnerships and collaborations between sectors can function more efficiently, leading to greater administrative and financial capacity all around.

## **Challenges to Budgeting Best Practices**

Cross-sector collaboration as explained above is a valuable approach to addressing public challenges through collective action among the public, private, and nonprofit sectors. While engaging in such an approach, complex barriers are often present that, if not properly managed, could reduce the likelihood of success in the collaboration. Bryson et al. (2006) emphasize this view as “... a set of coordinating and monitoring activities” that enables the survival of the collaborative partnership or institution. This section expands on three cross-sector collaboration challenges, i.e., pedagogy, conditions, and constraints.

### *Social Equity Barriers and Solutions*

For social equity to be fully established as a focus in budgeting best practices, the foundational barriers of current pedagogy would need to be first addressed. Lopez-Littleton et al. (2018) articulate that “... concerns of social equity and diversity remain secondary” in conventional education (p. 454). Pinto and Coulson (2011) also add, “Naïve financial literacy education that assumes a single, value neutral curriculum for all is problematic, since it fails to address the realities of a diverse population” (p. 76). As a result, barriers to social equity such as structural and institutional racism are rife in society today. Structural racism “... identifies aspects of our history and culture that have allowed the privileges associated with Whiteness and the disadvantages associated with color” (Aspen Institute, 2016, p. 1), thereby creating “... a standardization of racial bias through public and private structures” (Lopez-Littleton et al., 2018, p. 456). As for institutional racism, it relates to “... the structures, policies, practices, and norms resulting in differential access to the goods, services, and opportunities of society by race” (Jones, 2002, p. 10). By emphasizing structural and institutional racism in the academic setting across all sectors, the awareness and understanding of social equity can be more uniform in budgeting practices. Not only will the culture, norm, and structure of being more sensitive and informed about social equity issues be more established, but the effectiveness of sectors coming together to discuss ideas and concepts on social equity can also increase.

More specifically, in graduate programs like the MPA, MBA, or Master of Nonprofit Management, budgeting concepts demonstrating social equity can be explored through case studies or practical scenarios. For example, “... students can include analyzing local budgets and nonprofit budgets to explore how to make them more equitable, and coming up with plans to engage underrepresented communities into the budgeting experience” (Meyer et al., 2022, p. 427). Additionally, students could utilize real or hypothetical organizations of different sectors to create a plan that incorporates social equity in every step of the assessment and evaluation process. Through these and other similar practical lessons that incorporate social equity in the budgeting process, students can become more than just experts in budget allocations. They not only become change agents toward a more diverse and inclusive workplace but are also more empathetic to the budgetary needs of marginalized groups and communities. Additionally, they are able to provide a sense of belonging for those who have been excluded from power structures (Meyer et al., 2022,



pp. 428–429). Furthermore, these concepts can also be applied to undergraduate business, policy, nonprofit, or budgeting classes. As Blessett (2020) describes, “An education that is not self-reflective, open, honest, critical, and emancipatory will never facilitate the betterment of the field, nor will it improve the quality of life for citizens” (p. 3).

Other challenges of social equity in budgeting are shared by Polzer (2021) and Gooden (2015b) regarding the lack of studies promoting social equity in budgeting. Also, current literature on this topic is mostly descriptive with mainly secondary data being used. In a more practical sense, Polzer (2021) highlights the need for gender-based budgeting to be written into policy or at least be on a political agenda (p. 2). Similar calls for such policy changes include having a portion of the budget set aside for mandated regular training of “... cabinet-level officials and managerial and supervisory staff on the employment requirements of the Americans with Disabilities Act, in particular, reasonable accommodation policies” (Ricucci & Van Ryzin, 2017, p. 22). These are critical because, in times of crisis or instability, marginalized groups under the umbrella of social equity are often the ones to be affected the most financially. Essentially, through intentional changes to educational and administrative systems, values of social equity in public budgeting can be enhanced.

#### *Transparency and Accountability Barriers and Solutions*

This paper asserts that, by incorporating citizens’ responses in cross-sector collaboration, public trust will increase. Experts in the academic and practical fields in all sectors need to acknowledge and advocate for organizations through cross-sector collaboration to not only disclose information but to also offer citizens a way of providing feedback and opinions. A key concept that provides such interactions between organizations from any sector and the public is checks and balances. Checks and balances not only allow for some form of oversight by the public within and between sectors, but they also prevent one sector from becoming too dominant in society. On a microlevel, checks and balances can enable organizations to be transparent and accountable in their budgeting practices. Nevertheless, more can and should be done to reduce the occurrence of fraud or budgeting malpractice. Ball (2009) shares, “Systems of integrity include more than transparent official structures that are open; they also require a free media, an honest private sector unwilling to use or take bribes, and a civil society of citizens who use information and expect business and government to act openly and honestly. The interconnectedness of the many supranational organizations and NGOs popularized transparency” (p. 296).

Another important strategy for increasing transparency and accountability in terms of public access to information is to identify the potential conditions that prevent it. Pasquier and Villeneuve (2007) describe four conditions that jeopardize transparency and accountability. The most explicit condition relates to the blatant removal or hiding of documents. This could also mean contracts between private and nonprofit sectors being badly recorded to the point where it is impossible to obtain anything valuable from them. The second condition relates to the system where an administrator both creates and authorizes the validity of the documents. This means that there are no external agents around to inspect the quality and accuracy of the information produced. The third condition deals with the blurred requirements between verbal and written content. For instance, when an administrator provides a comprehensive verbal report on a budget document while leaving out vital information in the written report, transparency and accountability are compromised. Finally, the fourth condition that is well-known to the public is the inaccessibility or complexity of acquiring government documentation. Essentially, by making it difficult for citizens to obtain information, an image of concealment is portrayed by the organization. By focusing on the conditions that are seen as barriers to transparency and accountability, appropriate changes can be made to the root of the problem.

Last, for real and lasting changes to occur in organizations, enforcement of transparency and accountability must occur, not just in words but in action. This means that when individuals or organizations engage in illegal activities or behaviors that diminish transparency and accountability, real and proper consequences are meted out to prevent repeated offenses (Anheier et al., 2013, pp. 73–74). If leaders of organizations in each sector address the four conditions mentioned above and strictly follow organizational procedures in both policies and outcomes, transparency and accountability issues leading to fraud, misappropriation, embezzlement, false reporting, and budget manipulation can be minimized. This will also allow for a more agreeable cross-sector collaboration. Furthermore, citizens will not only be better informed about the organizations with which they do business, but their trust in the budgeting practices of all sectors will increase.

### *Ethical Barriers and Solutions*

As discussed earlier, one of the leading causes of unethical budgetary practices is a weakened or depleted administrative capacity. Any organization regardless of the sector can find itself in such a state if its budget is not properly managed where sufficient resources are allocated toward administrative oversight. Such resource constraints in terms of ethics involve the limitations or risks associated with accurate, timely, and proper budgeting practices. Howlett (2009) argues that governments need “... more careful matching of administrative resources to policy goals” (p. 162). If not appropriately accounted for, the weakness of poor resource management could lead to ethical instances of fraud, noncompliance with policy, and further waste of resources. Also, specific to the nonprofit sector, financial regulations remain relatively inefficient with enforcement measures of nonprofit organizations at all levels of the government being weak and insignificant, often leading to budgeting failures and requiring additional governmental bailouts (Bottiglieri et al., 2011). Nevertheless, Kearns (2014) shares, “Especially in today’s political and economic climate, it is doubtful that politicians will authorize large infusion of public money to strengthen the government’s oversight of NPOs” (p. 268).

Additionally, while cross-sector collaboration is a useful approach in compensating for issues resulting from diminished administrative capacity, limits, and standards to the frequency and extent of collaboration should be set. The reason is that cross-sector collaboration should be intentional and not used as a default approach. As administrators are paid with taxpayers’ dollars, they have a responsibility to fulfill all requirements of their job, one of which includes self-improvement through additional learning. Overall, Comfort et al. (2011) caution against over-reliance on unnecessary partnerships. They explain, “... the option of contracting services to private or nonprofit agencies places government personnel at a deep disadvantage if this decision is not informed by seasoned expertise and careful oversight” (p. 257). Hence, administrators are expected to not only portray the skills and knowledge of budgeting, planning, and other management functions but are also required to constantly seek opportunities to improve their skills in any areas that are lacking.

Next, to appropriately reduce the potential for unethical behaviors arising from conflicting interests, it is paramount that the corresponding constraints are first identified. Brunjes and Kellough (2018) refer to competing values, standards, and norms as the major constraints leading to a conflict of interest. King and Sekerka (2017) add, “A conflict of interest arises when an individual or organization confronts multiple interests, desires, goals, and/or objectives that could result in a lapse in executing fiduciary responsibilities” (p. 444). Furthermore, competing interests could also result from unclear systemic procedures. An example of this is seen in the confusing responsibilities of governments in enforcing nonprofit regulations. Aulgur (2020) shares, “Although some misbehavior may fall within the laws and jurisdiction of other federal agencies with which these corporations have contractual relationships, regulation of charitable

behavior is primarily the responsibility of the state where the organization is incorporated and operated” (p. 320).

Finally, Bryson et al. (2006) explain that competing interests could arise from the process of collaboration itself, as building legitimacy, leadership, and trust, along with managing conflict, becomes more complex in multisector collaborations. This is because of the likelihood of competing institutional logics that members in the collaboration represent and enact. A simple example of this possibility is when private corporations hide certain intentions to maximize profits or when public agencies over-promise on public services to gain public favor. This is also seen when nonprofit organizations exaggerate or manipulate a problem to obtain greater funding for personal gain and recognition. Hence, to cope with this potential dilemma of a double-edged sword in cross-sector collaboration, each sector would not only need to be open and frank in their intentions for collaboration but also be honest and willing to commit necessary resources to the collaboration. These behaviors are exemplary of the institutional collective action (ICA) framework, which suggests that leaders, policy actors, and key stakeholders can and should work together with confidence that all parties in the collaboration are acting in good faith to overcome tough challenges (Glückler et al., 2018). Ideally, an honest and well-executed collective action enables sectors to “... potentially achieve better outcomes ... by reducing barriers to mutually advantageous collaborative action” (Feiock, 2013, p. 399). Finally, organizations of all sectors can and should adopt a code of ethics that guides and encourages respectable actions and behaviors toward honest budgeting practices. As cross-sector collaboration recognizes and addresses the constraints of resources and competing interests, barriers to a greater focus on ethics in budgeting can be overcome.

## **Summary and Implications**

Cross-sector collaboration stands as a powerful approach to addressing the core values of social equity, transparency and accountability, and ethics within budgeting practices. In this era of heightened disparities and systemic failures, a collaborative approach can align efforts across nonprofits, businesses, and public agencies to pool resources and expertise toward the betterment of communities. This aligns perfectly with the tenets of the collaborative governance theory which emphasizes cooperation among diverse stakeholders with overlapping jurisdictions. Ultimately, cross-sector collaborations can transcend traditional sector boundaries by uniting individuals and organizations under a common purpose. As each sector brings its unique institutions and networks to the table, a harmonious fusion of diverse perspectives emerges, thereby paving the way for a unified budgeting process that embodies the critical values of social equity, transparency and accountability, and ethics.

Social equity in public budgeting is needed now more than ever. With the effects of the COVID-19 pandemic rampant across America, marginalized groups are struggling to stay afloat. This crisis has “... deepened and magnified systemic failures, hitting farmworkers, refugees, undocumented communities, and Black Americans the hardest and exposing long-standing disparities in food, housing, and access to quality healthcare” (Poethig, 2020, para. 14). The purpose of cross-sector collaboration is to align efforts, share resources, and combine strengths in a unified mission towards improving the lives of communities. Poethig (2021) adds, “At this moment, America is presented with a timely opportunity to implement an inclusive growth that would strive in addressing the toxic inequities accumulated through history” (p. 182).

As shared, social equity should continue, if not at least begin to be a priority in the budgeting process through specific actions like intentional allocation of funds towards programs and

projects that benefit disadvantaged communities and individuals. Additionally, a gender-responsive budget should be established to oppose the false affirmation of “gender blindness.” This could relieve the unfair burdens placed on women, mothers, or single parents as well as develop a vision of acceptance that promotes a culture of diversity, equity, access, and inclusion in the workplace and the community. Additionally, a social equity-focused budget can be demonstrated through an update to an organization’s code of ethics like ASPAs, which specifies social equity as an ethical priority. Meyer et al. (2022) promote this idea that “... researchers should examine codes of ethics to better understand how and by whom codes are written, how and why codes are adopted, what codes’ content and expectations are, especially whether such codes overtly mention principles of equity, and how codes may affect administrative priorities and behavior” (p. 425). Also, educational curriculums could incorporate specific ways for students to learn, practice, and recognize how social equity could be part of the budgeting process. Through such a behavioral shift in the culture and norms of all sectors and curriculums, greater opportunities can be provided for those who are systematically marginalized.

This paper has provided multiple explanations for the belief that an improvement in transparency and accountability can increase public trust. This is vital, as there has been an abundance of increasingly controversial accounting issues that have impacted the corporate world. The Sarbanes-Oxley Act of 2002 is a prime example that Riotta (2008) perceives to be “... the most important legislation affecting public companies, internal and external auditors and board of directors since the Security Exchange Commission was created in 1934” (p. 953). The Sarbanes-Oxley Act was intended to help protect investors from fraudulent financial reporting by corporations (Sarbanes-Oxley Act, 2002). Also, this act came as a response to the financial scandals by companies such as Enron Corporation, Tyco International plc, and WorldCom in the early 2000s (Perino, 2002). Riotta (2008) adds that “Even though this act applies to public companies, it is serving as a wake-up call to the nonprofit and private sectors” (p. 953). I would argue, however, that the Sarbanes-Oxley Act has already been applied to the nonprofit sector where three policies are now required. They are (1) a whistleblower protection policy, (2) a document retention policy, and (3) a policy preventing the removal of any documents related to an investigation or lawsuit. Jackson and Fogarty (2005) add, “With the passage of SOX, the bar was raised on all organizations, not just publicly traded corporations, and not just nonprofits. All organizations that conduct business within the United States are subject to greater scrutiny. Public trust is an important issue that all organizations—public, private, and independent (nonprofit)—need to address” (p. 89).

As standards of transparency and accountability in the budgeting process become more unified across sectors, the occurrence of fraud and waste can be minimized. This would mean organizations in each sector doing their part in being transparent and accountable in their use of financial resources with due diligence through the enforcement of rules and regulations, public involvement, and awareness. Indeed, cross-sector collaboration can act as the platform for a unified budgeting process that exemplifies transparency and accounting across all sectors.

Regarding administrative ethics, Kettl (2006) describes the ongoing purpose of public administration in that it “... has long been based on an effort to create stable, lasting structures with the capacity to solve public problems in a reliable, efficient, and accountable way” (p. 13). Ultimately, as pointed out in this article, ethics in the budgeting process means that whatever financial resources are being managed and used, the interest of the public regardless of sector should be the core priority of the budget. Furthermore, organizations from each sector, either working alone or in collaboration, must establish a system where individual values are aligned with the mission and goals of the organization. This also involves identifying and addressing

potential competing interests. Overall, by following these ethical practices, stability and trust within an organization, between partnerships, and with the public can increase.

Furthermore, as public, private, and nonprofit sectors come together to provide support to organizations experiencing capacity weaknesses, potential ethical issues in budgeting can also be avoided, especially in a society that is complex and interconnected within and between sectors. Boyce and Davids (2009) share, “Broader trends in public administration including outsourcing, contracting-out, public/private partnerships, self-regulation, sponsorships, and a significant interchange of personnel between the public and private sectors, have broken down traditional public sector employment cultures and their attendant obligations and loyalties” (p. 602). Through genuine sharing of resources in the budgeting process within and between sectors, administrative capacity can be improved, thus preventing the likelihood of ethical dilemmas and issues from occurring. In our current connected and complicated environment of networks, clearly established roles of budgeting practices in all sectors are vital in dealing with the challenges and ethical issues that result from potential conflicts of interest and inadequate administrative capacity.

## **Conclusion**

In the realm of public and nonprofit affairs, it is imperative that each sector—public, private, and nonprofit—not only recognizes the necessity and benefits of collaboration but also the unique resources, skills, approaches, and objectives that each sector can bring to the table. Bowles (2021) contends “... our country can and will achieve its goals and so much more by building upon the individual strengths of the public, private, and nonprofit sectors and by working together for the mutual benefit of all our citizens” (p. xxii). Ultimately, this paper has provided valuable insights and examples that are highly relevant to practice and research by addressing the chronic social and financial issues of social equity, transparency and accountability, and ethics. By adopting a cross-sector collaboration approach that integrates these values into budgeting best practices, whether through learning, observing, exemplifying, or active collaboration, the journey toward a more inclusive and safe society, characterized by increased public confidence in the use of financial resources can be achieved.

While this paper raises several best practices of public budgeting that can be achieved through cross-sector collaboration, further empirical research should be done to assess the collaborative claims of best practices made in this paper. Additional research can also seek to understand the current opinions and beliefs that each sector has on public budgeting best practices. Another research question could be regarding the extent to which best practices are a major conversation in each sector. Empirically, future research can assess the potential benefits of these best practices and whether public confidence, awareness, and satisfaction in the budgeting process in all sectors are seen. It might also be useful to evaluate the curriculum of public administration, nonprofit, and business programs to determine if social equity, transparency and accountability, or ethics are part of their required courses. Also, practitioners and scholars of each sector should continue the efforts and conversation of public budgeting best practices in these areas and perhaps, other areas like integrity, efficiency, and sustainability.

## **Disclosure Statement**

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

## References

- About the GASB.* (2021, September). Governmental Accounting Standards Board.  
<https://www.gasb.org/aboutgasb>
- Adler, L. K., & Sacco, T. (1995). Cash-strapped municipalities defer pension funds as a short-term solution. *Wall Street Journal*, 5–6.
- Agranoff, R. (2012). *Collaborating to manage: A primer for the public sector*. Georgetown University Press.
- Agranoff, R. (2017). *Crossing boundaries for intergovernmental management*. Georgetown University Press.
- Alexander, J. (1999). A new ethics of the budgetary process. *Administration & Society*, 31(4), 542–565. <https://doi.org/10.1177/00953999922019238>
- Amsler, L. B. (2016). Collaborative governance: Integrating management, politics, and law. *Public Administration Review*, 76(5), 700–711.
- Amsler, L. B. (2021). Collaborative governance and rules of the game in the United States. In D. P. Gitterman & N. Britto (Eds.), *The intersector: How the public, nonprofit, and private sectors can address America's challenges* (pp. 82–90). Brookings Institution Press.
- Anheier, H. K. (2009). What kind of nonprofit sector, what kind of society? Comparative policy reflections. *American Behavioral Scientist*, 52(7), 1082–1094.
- Anheier, H. K., Hass, R., & Beller, A. (2013). Accountability and transparency in the German nonprofit sector: A paradox? *International Review of Public Administration*, 18(3), 69–84.
- Ansell, C., & Gash, A. (2007). Collaborative governance in theory and practice. *Journal of Public Administration Research and Theory*, 18(4), 543–571.  
<https://doi.org/10.1093/jopart/mum032>
- ASPA. (2013). *Code of Ethics*. <https://www.aspanet.org/ASPA/ASPA/Code-of-Ethics/Code-of-Ethics.aspx>
- Aspen Institute. (2016). Dismantling structural racism: A racial equity theory of change. In *Roundtable Community Change Project on Racial Equity and Community Building*. Aspen Institute.
- Aulgur, J. (2020). Ethical dilemmas in nonprofit governance. *Journal of Nonprofit Education and Leadership*, 10(3), 304–328.
- Ball, C. (2009). What is transparency? *Public Integrity*, 11(4), 293–308.
- Becker, J., & Smith, D. B. (2018). The need for cross-sector collaboration. *Stanford Social Innovation Review*, 16(1), C2–C3.
- Bingham, L. B. (2010). The next generation of administrative law: Building the legal infrastructure for collaborative governance. *Wis. L. REv.*, 297.
- Bingham, L. B. (2011). Collaborative governance. In M. Bevir (Ed.), *The SAGE Handbook of Governance*. SAGE Publications Ltd. <https://doi.org/10.4135/9781446200964>
- Blessett, B. (2020). Rethinking the administrative state through an intersectional framework. *Administrative Theory & Praxis*, 42(1), 1–5.  
<https://doi.org/10.1080/10841806.2018.1517526>
- Blessett, B., Dodge, J., Edmond, B., Goerdel, H. T., Gooden, S. T., Headley, A. M., Riccucci, N. M., & Williams, B. N. (2019). Social equity in public administration: A call to action. *Perspectives on Public Management and Governance*, gvz016.  
<https://doi.org/10.1093/ppmgov/gvz016>
- Bottiglieri, W. A., Kroleski, S. L., & Conway, K. (2011). The regulation of non-profit organizations. *Journal of Business & Economics Research (JBER)*, 9(9), 51–60.

- Bowles, E. B. (2021). Trust is Everything. In D. P. Gitterman & N. Britto (Eds.), *The intersector: How the public, nonprofit, and private sectors can address America's challenges* (pp. xix–xxiii). Brookings Institution Press.
- Boyce, G., & Davids, C. (2009). Conflict of Interest in policing and the public sector: Ethics, integrity and social accountability. *Public Management Review*, 11(5), 601–640. <https://doi.org/10.1080/14719030902798255>
- Brunjes, B. M., & Kellough, J. E. (2018). Representative bureaucracy and government contracting: A further examination of evidence from federal agencies. *Journal of Public Administration Research and Theory*. <https://doi.org/10.1093/jopart/muy022>
- Bryson, J. M., Crosby, B. C., & Stone, M. M. (2006). The design and implementation of cross-sector collaborations: Propositions from the literature. *Public Administration Review*, 66(s1), 44–55. <https://doi.org/10.1111/j.1540-6210.2006.00665.x>
- Bryson, J. M., Crosby, B. C., & Stone, M. M. (2015). Designing and implementing cross-sector collaborations: Needed challenging. *Public Administration Review*, 75(5), 647–663. <https://doi.org/10.1111/puar.12432>
- Carlitz, R. (2010). Annex 2: Budget processes—review of impact and effectiveness of transparency and accountability initiatives. Available at SSRN 2188152.
- Chapman, R. A. (2001). Ethics in public service for the new millennium. *Public Money and Management*, 21(1), 6–7. <https://doi.org/10.1111/1467-9302.00241>
- Comfort, L. K., Wukich, C., Scheinert, S., & Huggins, L. J. (2011). Network theory and practice in public administration. In D. C. Menzel & H. L. White (Eds.), *The state of public administration: Issues, challenges, and opportunities* (first published, pp. 257–271). Routledge Taylor & Francis Group.
- Craig, M. J., & Kopits, M. G. (1998). *Transparency in government operations*. International Monetary Fund.
- Cucciniello, M., & Nasi, G. (2014). Transparency for trust in government: How effective is formal transparency? *International Journal of Public Administration*, 37(13), 911–921. <https://doi.org/10.1080/01900692.2014.949754>
- Dobbin, F. (2004). The sociological view of the economy. In F. Dobbin (Ed.), *The new economic sociology: A reader* (pp. 1–48). Princeton University Press.
- Dyer, O. (2021). Covid-19: Countries are learning what others paid for vaccines. *BMJ*, n281. <https://doi.org/10.1136/bmj.n281>
- Elson, D. (1999). Gender-neutral, gender-blind, or gender-sensitive budgets. *Changing The Conceptual Framework to Include Women's Empowerment and the Economy of Care*.
- Emerson, K., Nabatchi, T., & Balogh, S. (2012). An integrative framework for collaborative governance. *Journal of Public Administration Research and Theory*, 22(1), 1–29. <https://doi.org/10.1093/jopart/mur011>
- Erkkilä, T. (2020). Transparency in public administration. In T. Erkkilä, *Oxford Research Encyclopedia of Politics*. Oxford University Press. <https://doi.org/10.1093/acrefore/9780190228637.013.1404>
- Feiock, R. C. (2013). The institutional collective action framework. *Policy Studies Journal*, 41(3), 397–425.
- Franklin, A. L., & Raadschelders, J. C. N. (2003). Ethics in local government budgeting: Is there a gap between theory and practice? *Public Administration Quarterly*, 27(3/4), 456–490. JSTOR.
- Gant, D., Gant, J., & Johnson, C. L. (2002). Enhancing e-service delivery. E-government series, state web portals: Delivering and financing e-service. *Pricewaterhouse Coopers Endowment for The Business of Government*.
- GIFT. (2021, May 27). *About—GIFT*. Global initiative for fiscal transparency. <https://fiscaltransparency.net/about/>

- Gitterman, D. P., Britto, N., Shah, S., & Khan, Z. (2021). At the intersection. *Stanford Social Innovation Review*. <https://doi.org/10.48558/BZF8-WV37>
- Glückler, J., Suddaby, R., & Lenz, R. (Eds.). (2018). *Knowledge and institutions* (Vol. 13). Springer International Publishing. <https://doi.org/10.1007/978-3-319-75328-7>
- Goldberg, J. M., & Neiman, M. (2014). *Managing budgets during fiscal stress: Lessons for local government officials*.
- Gooden, S. T. (2015a). From equality to social equity. In M. E. Guy & M. M. Rubin (Eds.), *Public administration evolving: From foundations to the future* (pp. 211–232). Routledge.
- Gooden, S. T. (2015b). PAR's social equity footprint. *Public Administration Review*, 75(3), 372–381.
- Gorina, E. (2018). City revenue structure and unfunded pension liabilities. *State and Local Government Review*, 50(3), 189–202.
- Government in the Sunshine Act*. (n.d.). Ballotpedia. Retrieved November 8, 2021, from [https://ballotpedia.org/Government\\_in\\_the\\_Sunshine\\_Act](https://ballotpedia.org/Government_in_the_Sunshine_Act)
- Guy, M. E., & McCandless, S. A. (2012). Social equity: Its legacy, its promise. *Public Administration Review*, 72(s1). <https://doi.org/10.1111/j.1540-6210.2012.02635.x>
- Ho, S. P. (2006). Model for financial renegotiation in public-private partnership projects and its policy implications: Game theoretic view. *Journal of Construction Engineering and Management*, 132(7), 678–688. [https://doi.org/10.1061/\(ASCE\)0733-9364\(2006\)132:7\(678\)](https://doi.org/10.1061/(ASCE)0733-9364(2006)132:7(678))
- Howlett, M. (2009). Policy analytical capacity and evidence-based policy-making: Lessons from Canada. *Canadian Public Administration*, 52(2), 153–175. [https://doi.org/10.1111/j.1754-7121.2009.00070\\_1.x](https://doi.org/10.1111/j.1754-7121.2009.00070_1.x)
- IBP. (2023). *About Us*. International Budget Partnership. <https://internationalbudget.org/about-us/>
- Ivancevich, J. M., & Gilbert, J. A. (2000). Diversity management: Time for a new approach. *Public Personnel Management*, 29(1), 75–92.
- Jackson, P. M., & Fogarty, T. E. (2005). Raising the SOX the best board bar of accountability: Practices and the board. In *Sarbanes-Oxley for Nonprofits: A Guide to Building Competitive Advantage* (pp. 85–102). John Wiley & Sons.
- Johnson, O., Rawle, M., Roberts, J., & Morrill, W. (1991, December 6). *Coordination, collaboration, integration: strategies for serving families more effectively*. Family Impact Seminar. [https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/06/pf\\_fis23report.pdf](https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/06/pf_fis23report.pdf)
- Jones, C. P. (2002). Confronting institutionalized racism. *Phylon (1960-)*, 50(1/2), 7. <https://doi.org/10.2307/4149999>
- Jos, P. H. (2016). Advancing social equity: Proceduralism in the new governance. *Administration & Society*, 48(6), 760–780.
- Kavanagh, S., & Kowalski, J. (2021, February). The basics of equity in budgeting. *Government Finance Review*, 18–27.
- Kearns, K. P. (2014). Ethical challenges in nonprofit organizations. In H. G. Frederickson & R. K. Ghere (Eds.), *Ethics in public management*. Routledge.
- Ketl, D. F. (2006). Managing boundaries in American administration: The collaboration imperative. *Public Administration Review*, 66(s1), 10–19. <https://doi.org/10.1111/j.1540-6210.2006.00662.x>
- King, C. S., Feltey, K. M., & Susel, B. O. (1998). The question of participation: Toward authentic public participation in public administration. *Public Administration Review*, 58(4), 317. <https://doi.org/10.2307/977561>
- King, D. R., & Sekerka, L. E. (2017). Managing competing interests: A review of ethics in military procurement. *Public Integrity*, 19(5), 444–468. <https://doi.org/10.1080/10999922.2016.1276789>



- Landow, P., & Ebdon, C. (2012). Public-private partnerships, public authorities, and democratic governance. *Public Performance & Management Review*, 35(4), 727–752.
- Le Pennec, M., & Raufflet, E. (2018). Value creation in inter-organizational collaboration: An empirical study. *Journal of Business Ethics*, 148(4), 817–834.  
<https://doi.org/10.1007/s10551-015-3012-7>
- Lopez-Littleton, V., Blessett, B., & Burr, J. (2018). Advancing social justice and racial equity in the public sector. *Journal of Public Affairs Education*, 24(4), 449–468.  
<https://doi.org/10.1080/15236803.2018.1490546>
- Malena, C., Forster, R., & Singh, J. (2004). *Social accountability: An introduction to the concept and emerging practice*. The World Bank.
- McDonald, B. D., & McCandless, S. (2022). Incorporating social equity. In M. M. Jordan & B. D. McDonald (Eds.), *Teaching public budgeting and finance: A practical guide* (pp. 236–256). Routledge.
- Menson, T. P. (1990). Ethics and state budgeting. *Public Budgeting & Finance*, 10(1), 95–108.
- Menzel, D. C. (2015). Research on ethics and integrity in public administration: Moving forward, looking back. *Public Integrity*, 17(4), 343–370.  
<https://doi.org/10.1080/10999922.2015.1060824>
- Meyer, S. J., Johnson, R. G., & McCandless, S. (2022). Moving the field forward with empathy, engagement, equity, and ethics. *Public Integrity*, 24(4–5), 422–431.  
<https://doi.org/10.1080/10999922.2022.2089476>
- Milward, H. B., & Provan, K. (2003). Managing the hollow state collaboration and contracting. *Public Management Review*, 5(1), 1–18.  
<https://doi.org/10.1080/1461667022000028834>
- Mitchell, J. (1992). Policy functions and issues for public authorities. In J. Mitchell (Ed.), *Public authorities and public policy: The business of government* (Issue 301, pp. 1–13). New York: Greenwood Press.
- Moreno-Albarracín, A. L., Ortega-Rodríguez, C., Licerán-Gutiérrez, A., Labella, Á., & Martínez, L. (2021). Transparency indicators to improve accountability for non-profit organizations: A Spanish case study. *Technological and Economic Development of Economy*, 27(3), 763–782.
- Mulgan, R. (2000). “Accountability”: An Ever-expanding concept? *Public Administration*, 78(3), 555–573. <https://doi.org/10.1111/1467-9299.00218>
- Ndou, V. (2004). E-government for developing countries: Opportunities and challenges. *The Electronic Journal of Information Systems in Developing Countries*, 18(1), 1–24.
- NEA. (2023). *What Are Community Schools?* | NEA. National Education Association.  
<https://www.nea.org/student-success/great-public-schools/community-schools/what-are-they>
- O’Leary, R., Gerard, C., & Bingham, L. B. (2006). Introduction to the symposium on collaborative public management. *Public Administration Review*, 66(s1), 6–9.  
<https://doi.org/10.1111/j.1540-6210.2006.00661.x>
- Ostrom, E. (1990). *Governing the commons: The evolution of institutions for collective action*. Cambridge university press.
- Pache, A.-C., Fayard, A.-L., & Galo, M. (2022). How can cross-sector collaborations foster social innovation? A review. *Social Innovation and Social Enterprises: Toward a Holistic Perspective*, 35–62.
- Page, S. B., Stone, M. M., Bryson, J. M., & Crosby, B. C. (2015). Public value creation by cross-sector collaborations: A framework and challenges of assessment. *Public Administration*, 93(3), 715–732. <https://doi.org/10.1111/padm.12161>
- Pasquier, M., & Villeneuve, J.-P. (2007). Organizational barriers to transparency: A typology and analysis of organizational behaviour tending to prevent or restrict access to

- information. *International Review of Administrative Sciences*, 73(1), 147–162.  
<https://doi.org/10.1177/0020852307075701>
- Peng, J. (2004). Public pension funds and operating budgets: A tale of three states. *Public Budgeting & Finance*, 24(2), 59–73.
- Perino, M. A. (2002). Enron's legislative aftermath: Some reflections on the deterrence aspects of the Sarbanes-Oxley Act of 2002. [https://www.congress.gov/bills/107-congress/house-bills/3763/text](https://www.congress.gov/bills/107/congress/house-bills/3763/text), 76(4), 671–698.
- Pinto, L. E., & Coulson, E. (2011). Social justice and the gender politics of financial literacy education. *Journal of the Canadian Association for Curriculum Studies*, 9(2), 54–85.
- Poethig, E. C. (2021). Building a racially and economically inclusive recovery. In D. P. Gitterman & N. Britto (Eds.), *The intersector: How the public, nonprofit, and private sectors can address America's challenges* (pp. 181–186). Brookings Institution Press.
- Poethig, E. C. (2020, October 8). *Shining light on inclusive recovery in the aftermath of COVID-19*. Urban Institute. <https://www.urban.org/research-action-lab/projects/inclusive-recovery-insights/shining-light-on-inclusive-recovery-in-the-aftermath-of-covid-19>
- Pokhrel, B. (2017). *Leaders' experience in nonprofit ethics: Selected nonprofit study in Nepal*.
- Polzer, T., Nolte, I. M., & Seiwald, J. (2021). Gender budgeting in public financial management: A literature review and research agenda. *International Review of Administrative Sciences*, 00208523211031796.
- Pugh, D. L. (1991). The origins of ethical frameworks in public administration. In J. S. Bowman (Ed.), *Ethical frontiers in public management: Seeking new strategies for resolving ethical dilemmas* (1st ed, pp. 9–34). Jossey-Bass.
- Redford, E. S. (1969). *Democracy in the administrative state*. New York: Oxford University Press.
- Riccucci, N. M., & Van Ryzin, G. G. (2017). Representative bureaucracy: A lever to enhance social equity, coproduction, and democracy: Theory to practice. *Public Administration Review*, 77(1), 21–30. <https://doi.org/10.1111/puar.12649>
- Riotto, J. J. (2008). Understanding the Sarbanes-Oxley Act—A valued added approach for public interest. *Critical Perspectives on Accounting*, 19(7), 952–962.  
<https://doi.org/10.1016/j.cpa.2005.10.005>
- Rodgers, B., & Stevens, T. (2020, May 17). Utah's no-bid contracts guided by personal contacts, CEO suggestions. *The Salt Lake Tribune*.  
<https://www.sltrib.com/news/politics/2020/05/17/utahs-no-bid-contracts/>
- Romero, M. J., & Ravenscroft, J. (Eds.). (2018). *History RePPPeated: How public private partnerships are failing*. Washington, DC: Eurodad, The World Bank.
- Rossmann, D., & Shanahan, E. A. (2012). Defining and achieving normative democratic values in participatory budgeting processes. *Public Administration Review*, 72(1), 56–66.  
<https://doi.org/10.1111/j.1540-6210.2011.02480.x>
- Rubin, M. M., & Bartle, J. R. (2005). Integrating gender into government budgets: A new perspective. *Public Administration Review*, 65(3), 259–272.  
<https://doi.org/10.1111/j.1540-6210.2005.00452.x>
- Sarbanes-Oxley Act, H.R.3763, 107th Congress, 2nd (2002).  
<https://www.congress.gov/bills/107th-congress/house-bill/3763/text>
- Scott, R. J., & Merton, E. R. (2021). When the going gets tough, the goal-committed get going: Overcoming the transaction costs of inter-agency collaborative governance. *Public Management Review*, 23(11), 1640–1663.
- Scott, W. R. (2014). *Institutions and organizations: Ideas, interests, and identities* (Fourth edition). SAGE.

- SDHC. (2023). *Homelessness programs in the City of San Diego* (p. 31). San Diego Housing Commission. <https://www.sdhc.org/wp-content/uploads/2023/05/HomelessnessManual.pdf>
- Serrao-Neumann, S., Crick, F., Harman, B., Schuch, G., & Choy, D. L. (2015). Maximising synergies between disaster risk reduction and climate change adaptation: Potential enablers for improved planning outcomes. *Environmental Science & Policy*, *50*, 46–61.
- Shumate, M., Fu, J. S., & Cooper, K. R. (2018). Does cross-sector collaboration lead to higher nonprofit capacity? *Journal of Business Ethics*, *150*(2), 385–399. <https://doi.org/10.1007/s10551-018-3856-8>
- Splinter, D. (2017). State pension contributions and fiscal stress. *Journal of Pension Economics & Finance*, *16*(1), 65–80.
- Stein, C. P. (2019, March 19). Accountability and transparency in public administration. *PA TIMES Online*. <https://patimes.org/accountability-and-transparency-in-public-administration/>
- Stern, J. D., MacCleery, R., & Walker, C. (2011, April). *Promoting cross-sector partnerships for equitable transit-oriented development*. Urban Land Institute.
- Tarver, E. (2021, September 5). *Is a private company required to disclose financial information to the public?* Investopedia. <https://www.investopedia.com/ask/answers/062415/private-company-required-disclose-financial-information-public.asp>
- Tregear, R., & Jenkins, T. (2007). Government process management: A review of key differences between the public and private sectors and their influence on the achievement of public sector process management. *BP Trends*.
- United Way NCA. (2021, June 22). *Equity vs. equality: what's the difference - examples & definitions*. United Way of the National Capital Area. <https://unitedwaynca.org/stories/equity-vs-equality/>
- Vigoda, E. (2002). From responsiveness to collaboration: Governance, citizens, and the next generation of public administration. *Public Administration Review*, *62*(5), 527–540. <https://doi.org/10.1111/1540-6210.00235>
- Washington, L. S. (2021, March 1). *Leading with equity: How companies can promote social justice through DEI* | Blog | Sustainable Business Network and Consultancy | BSR. <https://www.bsr.org/en/blog/leading-with-equity-how-companies-can-promote-social-justice-through-dei>

### **Author Biography**

Michael Lee is a doctoral candidate in the School of Public Administration at the University of Nebraska Omaha. His research interests are in the areas of Public Budgeting and Finance, Transportation Policy, Nonprofit Resiliency, and Social Equity.

## **Is Governance Aligned with Rhetoric? Exploring the Board Composition of Leading Transnational NGOs**

*George E. Mitchell – Baruch College, City University of New York*

*Peter H. Nerothin – San Diego State University*

*Megan Burns Pontes – Arizona State University*

*Hans Peter Schmitz – North Carolina State University*

*Caroline N. Walsh – University of San Diego*

Transnational NGOs (TNGOs) often claim to speak and act on behalf of diverse communities, yet many are governed by boards that may not reflect the sector's rhetorical commitments to inclusive governance. This apparent gap between rhetoric and practice has led to growing pressure for leading TNGOs to engage in governance reforms. This exploratory article evaluates the composition of the boards of 25 leading TNGOs in the United States with a combined 395 board members to assess the extent to which this rhetoric is associated with board composition. A latent class analysis of board member data measuring demographic, competency, and cognitive background indicators identifies a distinction between “inclusive” and “traditional” board types. We find that the inclusive board type is associated with rhetorical commitments to diversity, equity, and inclusion, whereas the traditional board type is not. We conclude with recommendations for research to inform TNGO governance reforms.

Keywords: Board composition, Governance, Diversity, Equity, Inclusion, NGOs

Transnational nongovernmental organizations (TNGOs) provide critical services to populations across the world. TNGOs work in a variety of areas, including humanitarian relief, international development, global health, environmental protection, and human rights, among others (Mitchell, 2014). While historically many TNGOs focused on direct service provision through transfers of wealth and knowledge from the Global North to the Global South, many TNGOs have embraced advocacy, campaigning, and systems change strategies to achieve more sustainable social and environmental transformations (Lindenberg & Bryant, 2001; Mitchell, Schmitz, & Bruno-van Vijfeijken, 2020). As the strategies have shifted over time toward more complex and transformative types of interventions, pressure has grown for TNGOs to become more equitably and inclusively governed, especially by empowering member organizations and communities in the Global South.

Mitchell, G. E., Nerothin, P. H., Pontes, M. B., Schmitz, H. P., & Walsh, C. N. (2024). Is Governance Aligned with Rhetoric? Exploring the Board Composition of Leading Transnational NGOs. *Journal of Public and Nonprofit Affairs*, 10(2), 273-293.

<https://doi.org/10.20899/jpna.3ygfac21>

In the Global North, the United States is home to a disproportionate number of TNGOs (Mitchell, 2014). TNGOs in the United States are typically registered as charitable nonprofits under Section 501(c)(3) of the Internal Revenue Code, which provides tax benefits to organizations and their financial supporters. As nonprofits, TNGOs are governed by self-perpetuating boards whose members act as fiduciary agents of organizational stakeholders, often including major donors. Similar arrangements exist in many other countries (Salamon & Flaherty, 1996). In practice, this structure presents a risk of so-called control failure, which occurs when those who control an organization fail to appropriately understand or represent those affected by the organization's activities (Ben-Ner, 1994; Schmitz & Mitchell, 2022a). The possibility of control failure may be heightened in countries with relatively lax and devolved nonprofit regulatory structures such as the United States (Mitchell, 2019, 2023; Mitchell & Calabrese, 2019; Mitchell & Stroup, 2020).

The composition of TNGO boards is normatively and instrumentally relevant for establishing and maintaining organizational legitimacy and capacity. According to representation theory, legitimacy involves acting in the interest of intended beneficiaries and engendering their trust, while capacity involves the procedures through which leaders are selected, as well as patterns of similarity, participation, and communication between leaders and intended beneficiaries (Guo & Musso, 2007). Similarly, stakeholder theory postulates a moral obligation for organizations to consider the interests and welfare of the communities affected by an organization's activities, whether directly or indirectly (Freeman, 2010a, 2010b; Parmar et al., 2010). For proprietary firms or businesses, this means managing the convergence and divergence between the interests of owner-shareholders and nonowner-stakeholders. As charitable nonprofits, TNGOs are nonproprietary firms; they have no owner-shareholders, only nonowner-stakeholders. TNGO board members are typically uncompensated volunteers with no ownership claims over the organization's assets or surpluses. Moreover, unlike private foundations, which are designed to be funded and controlled by private parties, TNGOs are usually incorporated as public charities. Because public charities, by definition, receive most of their support from the public, the trustees of public charities arguably have a moral obligation to serve the public interest and to faithfully represent affected communities. However, while many TNGOs solicit beneficiary feedback, utilize advisory boards, or contract with local entities to deliver services, the intended beneficiaries of TNGO activities rarely have direct representation on Global North governing boards.

There are currently no nationwide legal or regulatory requirements in the United States that specifically address TNGO board composition, although nonprofits required to file an Internal Revenue Service (IRS) Form 990 must disclose some information about board members. In the United States and elsewhere, voluntary self-regulatory regimes (Deloffre, 2016; Gugerty, 2008) and self-appointed independent watchdogs (Cnaan, Jones, Dickin, & Salomon, 2011; Szper & Prakash, 2011) have emerged to fill regulatory gaps, promote trust in the nonprofit sector, and help inform donor giving and oversight. Some US-based organizations such as Charity Navigator and Give.org assess aspects of board governance; notably, Candid/GuideStar enables nonprofits to voluntarily report information about board composition. The challenges of obtaining comprehensive and up-to-date governance information makes it difficult for external stakeholders to assess governance inclusivity or to more generally understand what types of boards are governing TNGOs.

Patterns of TNGO board governance in the United States likely influence the strategies and actions of TNGOs globally (Mitchell & Stroup, 2020) in ways that could potentially contribute to philanthropic paternalism (Salamon, 1987) and reduced organizational relevance (Mitchell et al., 2020) if boards are insufficiently inclusive. Such risks have led to growing calls for TNGOs to give greater voice to those they claim to serve (Pailey, 2020; Peace Direct, 2021; RINGO Project, 2021).

Critics have observed a tendency for some boards to lack substantive expertise and adequate representation of affected populations (Allotey & Reidpath, 2022; Worden & Saez, 2021). Leaders in the sector have also observed that TNGO boards often lack the necessary skills to guide their organizations through an increasingly complex global environment (Global Health 50/50, 2022; Worthington & Grashow, 2018).

Many so-called leading TNGOs (Stroup, 2012) have initiated or completed specific strategic governance reforms to improve diversity, equity, inclusion (DEI) and specifically to diversify their governing boards, among other efforts (Vijfeijken & Tallack, 2021). Such efforts are often aimed at improving organizational legitimacy in light of widespread criticisms. However, TNGOs face significant architectural obstacles to successful reform. For example, in the United States, the existing legal form of the public charity privileges upward financial accountability to donors; many legacy transnational governance structures centralize power among the highest income members; and philanthropic culture often emphasizes financial stewardship more than representation and impact (Mitchell et al., 2020; Schmitz & Mitchell, 2022b). Pursuing greater inclusivity, equity, and representation can pose challenges in such circumstances. Nevertheless, many TNGOs have rhetorically committed to improving DEI, potentially creating a rhetoric-reality gap between an organization's expressed aspirations and the reality of its governing board's composition.

It remains unclear whether organizations' rhetorical commitments to DEI are associated with any new or different patterns of observed board composition. To explore this possibility, we postulate the existence of a board type that is associated with a TNGO's rhetorical commitments to implementing more inclusive governance practices. To explore for this board type, we perform latent class analysis on board member data measuring demographic, competency, and cognitive background indicators for 25 leading TNGOs (with 395 combined board members) registered in the United States and active in the areas of international development and humanitarian relief. We find two distinct board types: traditional and inclusive. In the next step, we evaluate the statistical relationship between board type and evidence of organizational DEI rhetoric. We find that board type is statistically associated with TNGOs' rhetorical commitments to DEI. In short, TNGOs that express DEI commitments are more likely to have inclusive boards, whereas those that do not are more likely to have traditional boards.

We propose that future research examine the different ways in which TNGOs seek legitimacy through their governance models. While many TNGOs have traditionally claimed legitimacy by exhibiting fiscal probity (Mitchell & Calabrese, 2019), we propose that TNGOs may also pursue legitimacy by aligning their governance practices with DEI commitments in ways that appeal to stakeholders beyond traditional financial supporters, including TNGO critics.

## **Board Composition**

Board composition research has highlighted demographic, functional, and cognitive characteristics of board members (Harrison & Klein, 2007). Demographic attributes include age, gender, and race and ethnicity. Functional attributes emphasize differences in skills and qualifications. In the corporate board literature, qualifications and skills have been identified as essential to organizational performance because they shape the collective capacity of boards to effectively fulfill their supervisory and advisory roles (Adams, Akyol, & Verwijmeren, 2018). In the nonprofit sector, boards require substantial financial, subject matter, and policy expertise considering that many of these groups claim to tackle major and persistent social and economic

problems. Financial expertise is essential for the fiduciary responsibilities of boards, subject matter expertise enables boards to guide the mission and activities, and policy expertise helps boards to assess the external environment affecting operations and strategies. While financial, subject matter, and policy expertise are typically also key competencies shared across staff, boards must have sufficient knowledge across these areas to effectively execute their three primary legal duties, i.e., duty of care, duty of loyalty, and duty of obedience (National Council of Nonprofits, 2022).

Cognitive characteristics of board members can vary based on social status, life experiences, or values. Researchers have argued that such “deep-level diversity attributes” have often been neglected when compared with more easily observable diversity characteristics, such as gender (Khatib, Abdullah, Elamer, & Abueid, 2021). These differences have been linked to variation in important board characteristics, such as levels of collective creativity as well as internal conflict (Talavera, Yin, & Zhang, 2028; Torchia, Calabrò, & Morner, 2015). In the nonprofit literature, the role of board diversity with regard to personal values or social status has not yet received significant attention, although such factors may be essential in understanding how boards may relate to served populations.

Board composition has gained increasing attention across the governmental, business, and nonprofit sectors. In 2021, the US Securities and Exchange Commission (SEC) approved annual disclosure requirements with regard to self-identified gender, racial, and sexual orientation characteristics of board members (Carbone, 2022: 167). In the United Kingdom, the Financial Conduct Authority recently adopted rules requiring all stock market-listed companies to have at least 40% women on their boards (Financial Conduct Authority, 2022). Prior research has suggested that greater diversity in the boardroom and in senior leadership teams could improve opportunities for experienced mentorship and help overcome cultural and other barriers that impede career advancement for individuals from historically marginalized communities (Smith, 2015). As such, organizational reforms aimed at addressing nonprofit or TNGO board composition may have a significant impact on diversity, equity, and inclusion well beyond the boardroom.

Nonprofit research has focused attention on board functioning and how boards may contribute to overall organizational performance (Renz, Brown, & Andersson, 2022). Early research emphasized structural and environmental factors in explaining board performance (Miller-Millesen, 2003), while more recent research has focused on functional issues, including interpersonal dynamics (Gazley & Nicholson-Crotty, 2017; Heemskerk, Heemskerk, & Wats, 2015), and has increasingly adopted a DEI lens. For example, a recent study found that more diverse boards are significantly more likely to appoint CEOs of color (Lee, 2022). This shift has led to greater attention to board composition and a growing recognition of underperformance with respect to DEI practices. For example, in a survey of board performance conducted by the nonprofit BoardSource, chief executives and board chairs gave mostly grades in the B and C range, including a C (executive) and C+ (chair) for “building a diverse and inclusive board with a commitment to equity” (BoardSource, 2021: 15).

Arguments for improving board diversity may employ a more instrumentalist perspective or emphasize a moral social justice argument (Tomlinson & Schwabenland, 2009). From an instrumental perspective, greater board diversity is a means to an end, such as improved overall governance outcomes, increased fundraising, or better services (outputs). From a moral perspective, diversity is essential not necessarily because it improves organizational outcomes, but because it instantiates an organization’s values (inputs) and potentially enhances constituent

representation (Azevedo, Gaynor, Shelby, & Santos, 2021). According to a moral perspective, developing a diverse board is simply the right thing to do, independently of the impact on performance, although greater diversity may very well lead to improved performance.

Nonprofit scholarship has explored the instrumentalist perspective by studying the effects of board diversity on various performance measures (Bernstein & Fredette, 2019; Brown, 2005; Buse, Sessler Bernstein, & Bilimoria, 2016; Fredette & Sessler Bernstein, 2019; Harris, 2014; Siciliano, 1996). Studies have found that demographic diversity (gender, age, and race and ethnicity) can indeed be linked to better performance as well as to shifts in organizational priorities toward civic engagement and community development (Guo & Saxton, 2010; Lee, 2021). But research has also shown that such positive effects are predicated on a number of conditions, including the presence of inclusive board practices (Buse et al., 2016; Sessler Bernstein & Bilimoria, 2013; Weisinger, Borges-Méndez, & Milofsky, 2015), reaching a critical mass of ethno-racial diversity (Fredette & Sessler Bernstein, 2019), and having adequate levels of social capital and interpersonal relations among board members (Fredette & Sessler Bernstein, 2021).

Existing nonprofit board research has typically not focused on the unique context of the TNGO sector, however. TNGOs typically cross deeper cultural and economic divides than domestic nonprofits and tend to serve populations geographically and culturally more distant from their donor base. While much of the existing US-focused research has emphasized gender or race and ethnicity, we lack conceptual and empirical studies focused on functional characteristics related to acquired skills and competencies as well as cognitive backgrounds. For example, functional characteristics may shape how well boards fulfill their key legal duties, while cognitive characteristics may be relevant to how board members relate to affected populations or bring their own personal values to bear on the execution of their mandates.

## **Data and Method**

To analyze the board composition of leading TNGOs, we conducted a mixed-method analysis in several steps, which include sampling, codebook development and coding, the generation of quantitative data sets and descriptive statistics, latent class analysis, a review of organizational websites, and subsequent statistical analysis.

### *Sampling*

In a sector defined by uncertainty over organizational performance and outcomes, institutional theory predicts that organizations will attempt to secure legitimacy by mimicking other organizations that appear to be successful (DiMaggio & Powell, 1983; Mitchell & Calabrese, 2022). Leading TNGOs publicly validated as being especially financially successful and high performing may therefore enjoy an elevated significance in the sector as potential models for other organizations to emulate. For example, lesser-known TNGOs may seek legitimacy by adopting governance models similar to those of leading TNGOs. For this reason, we focus on the board composition of especially large and high-performing TNGOs as evaluated by third parties. Such TNGOs should also be the most likely to employ sophisticated board development practices and to provide adequate information about their board members and organizational strategies online. This study therefore employs a qualitative, purposeful sampling strategy to identify especially large and putatively high performing TNGOs. Size and performance assessments are based on third-party assessments from Forbes (2020), which identifies large nonprofits, and Charity



Navigator (2020), which seeks to identify high-performing nonprofits. All sampled TNGOs represent the US-based entity only.

The sampling was undertaken in multiple stages. First, to identify leading TNGOs (Stroup, 2012), a search was undertaken within the 2020 Forbes list of the “100 largest U.S. charities” working in “international development or need” ( $n = 30$ ). From this list, only organizations with top (four-star) ratings from Charity Navigator were retained ( $n = 15$ ). To expand the sample with more organizations rated as high-performing, a search was conducted in Charity Navigator for organizations working in “international development and relief services” ( $n = 54$ ). Three criteria were then applied to narrow down the list. First, to ensure large organizational size, organizations were removed with annual revenue of less than US \$50 million. Second, to ensure that organizations are transnational, organizations were removed if they were operating in fewer than three low- and middle-income countries (LMICs, as indicated by organizations’ websites). Third, to ensure that organizations are nongovernmental, organizations were eliminated if they were receiving more than half of their revenue from governmental sources. This eliminated 34 organizations (24, four, and six organizations, respectively). Combining the 15 organizations from Forbes and the 20 organizations from Charity Navigator resulted in a merged list of 29 unique organizations (six overlapping). From the merged list of 29 organizations, four organizations were removed due to insufficient information for a final sample size of 25 organizations and 395 board members. Table 1 describes the final sample of organizations.

**Table 1.** Sample description<sup>a</sup>

NGO	Ruling year	Total revenue (USD Mil.)	Board size	Headquarters location (city and state)	
Americares Foundation	1979	1,044.71	23	Stamford	CT
CARE International	1993	606.81	8	Atlanta	GA
CURE International	1996	70.93	12	Grand Rapids	MI
Carter Center	1982	130.28	24	Atlanta	GA
Catholic Medical Mission Board	1946	734.66	21	New York	NY
Charity Water	2007	70.09	9	Hagerstown	MD
Convoy of Hope	2020	175.07	15	Springfield	MO
DKT International	1985	210.98	6	Washington	DC
Direct Relief	1949	1,235.28	16	Santa Barbara	CA
Doctors without Borders	1989	411.96	14	New York	NY
Global Giving	2003	60.85	12	Washington	DC
Good360	1984	325.92	8	Alexandria	VA
HIAS	1954	50.25	21	Silver Spring	MD
MAP International	1976	574.73	19	Brunswick	GA
Matthew 25 Ministries	1992	231.41	12	Blue Ash	OH
Medical Teams	1987	53.37	15	Portland	OR
Mercy Ships	2008	116.84	36	Lindale	TX
OneAcre Fund	2006	131.51	9	Highland Park	IL
Partners in Health	2002	148.71	16	Boston	MA
Room to Read	1999	54.20	17	San Francisco	CA
Rotary Foundation of Rotary International	1983	412.92	16	Evanston	IL
Samaritan’s Purse	1981	699.75	16	Boone	NC
Save the Children	1964	829.95	14	Fairfield	CT
Unbound	1983	135.78	12	Kansas City	KS
World Vision International	1982	1,055.10	24	Federal Way	WA

<sup>a</sup> The sample selection took place from July to August 2021. Data describing ruling year, total revenue, and headquarters location were obtained from the August 2022 Internal Revenue Service Business Master

File (BMF) for public charities. The most recent available BMF records correspond to tax periods ending in 2020–2021.

The average revenue of sampled organizations amounts to about US \$382.88 million, with the combined revenue of all sampled organizations amounting to about US \$9.57 billion. Ruling years—the year in which the IRS granted the organization tax-exempt status (not necessarily the founding year)—range from 1946 (Catholic Medical Mission Board) to 2020 (Convoy of Hope) with an average ruling year of 1986.

#### *Codebook development and coding*

The intensiveness of the coding process for individual board members necessarily limited the number of organizations that could be included in the sample, with 395 board members serving 25 organizations. One individual served on two boards, and that person's characteristics were counted twice. We built upon Worden and Saez (2021) to establish an initial list of demographic and competency categories applied to board members. After an initial examination of the available data, specific board member characteristics for which sufficient information was available for coding were identified and grouped into three categories: (1) demographics; (2) functional competencies; and (3) cognitive backgrounds. Table 2 displays the characteristics, codes, and code definitions developed to code the sample. Due to data availability limitations, the coding process was not able to capture a number of other characteristics, including sexual orientation, disability status, and religious affiliation. Additionally, the coding reflects the specific historical, political, social, and economic contexts in the United States and may not capture other dimensions salient in other contexts.

Demographic data were collected from the organizations' websites from August to September 2021. Board member photos and bios were collected into a single document (Word) and coded using a spreadsheet (Excel). If the board bio did not provide sufficient data, the LinkedIn profiles of individuals were consulted. If those two sources did not yield adequate information, a general search (Google) was conducted to obtain more information. Three of the authors began by coding the same randomly selected 15 board profiles and then compared a total of 165 codings. The results showed discrepancies in 26 coding instances (16%), which mainly appeared with regard to coding retirement age, financial competency, and subject matter competency. Each discrepancy was thoroughly discussed to achieve consensus. Following the initial coding exercise, we discussed and clarified operationalizations of categories and continued to regularly discuss ambiguous cases. As a result, we narrowed the definition of financial and subject matter competencies to limit ambiguities and relied on academic degree award dates to code for retirement age. Coders regularly solicited input from other team members when uncertain about interpreting the available information.

Gender was determined based on the pronouns that board members provided in their own written bios. Race and ethnicity was dichotomized into two categories: person of color and white. This is because prior research has identified substantial discrepancies between observer-recorded and self-identified data within the person of color category, whereas the agreement rate is 98% when race and ethnicity are dichotomized (Sohn et al., 2006). To code for race and ethnicity, we considered a combination of information, including photos, nationality, and any written references in the bio. In the case of career maturity, we coded for whether the board member had approximately achieved the age of retirement (65 years old or older). Table 2 provides details on the coding process for all coded variables, including functional competencies and cognitive background as well as demographic characteristics.

**Table 2.** Codebook

Board member characteristics	Codes	Definition
<b>Demographics</b>		
Gender	Female/male/unassigned	Pronouns used in bio or secondary sources mention she/her/hers or he/him/his (no instances of other genders were observed)
Race and ethnicity	Person of color/white/unassigned	Photo, bio, or secondary sources provide visual or textual evidence of race and ethnicity
Career maturity	Retirement age/not retirement age/unassigned	Board bio or secondary sources imply that the board member is at least 65 years old (e.g., based on the award date of a bachelor's degree)
<b>Functional competencies</b>		
Financial	Yes/no/unassigned	Board bio or secondary sources mentions C-level business executive or financial professional experience
Subject	Yes/no/unassigned	Board bio or secondary sources mentions subject matter expertise in the TNGO's areas of activity
Policy	Yes/no/unassigned	Board bio or secondary sources mentions position(s) in government or international organizations, or provides other evidence of high-level political knowledge, experience, or engagement
<b>Cognitive background</b>		
Sector	Public/no/unassigned	Board bio or secondary sources provide evidence of at least half of professional career spent in public or nonprofit service
Lived experience	Yes/no/unassigned	Board bio or secondary sources mentions self-identification as a possible TNGO beneficiary at any time (e.g., a refugee or disaster survivor)
Aid eligible	Yes/no/unassigned	Board bio or secondary sources mentions a country of residence (current or prior) that is an aid-eligible country as determined by OECD-DAC

*Generation of quantitative data sets and descriptive statistics*

The individual board member bios were saved as text files and imported into computer-aided qualitative data analysis software (CAQDAS; NVivo 12). The spreadsheet data describing the board members were added to the CAQDAS to consolidate the coding information (bios and codings) into a single file for organization and export. The exported file was imported into statistical software (Stata 17) to process the data, complete the board member data set, and provide a statistical description of the board members. The board member data file was then converted to the organizational level and merged with IRS Business Master File data to complete the organizational level data set and provide a statistical description of the TNGO boards.

*Latent class analysis*

In the next step, latent class analysis (LCA) was performed using the nine variables displayed in Table 3 as indicators. LCA is a form of model-based cluster analysis (Ahlfquist & Breunig, 2012;

Vermunt & Magidson, 2002). It is commonly used to identify heterogeneity in populations based on patterns of statistical association among observed indicator variables. In this case, LCA is used to determine how many board types exist in the data and what characteristics define each board type. LCA is also commonly used to classify cases into distinct clusters such that cases within a cluster are similar and cases in different clusters are different. This produces two main outputs: (1) a statistical profile describing the different clusters (board types); and (2) an assignment solution that identifies which TNGOs belong to each cluster (and the board type of each organization). Then, quantitative information from the LCA and qualitative information from the CAQDAS and additional online sources are examined to interpret the meaning of the profiles and clusters. In the final step, statistical associations involving the latent variable are evaluated (Mitchell & Schmitz, 2021). In particular, we test for an association between an organization’s board type and whether it expresses commitments to DEI online. The number and nature of the clusters or board types are not known prior to LCA; as a clustering technique, however, LCA implicitly hypothesizes the existence of more than one cluster.

**Results and Interpretation**

Table 3 provides summary statistics for the coded board members. Overall, our initial descriptive findings agree with many, although not all, of the results from Worden and Saez (2021). Neither sample is statistically representative of a larger population, so comparisons should be interpreted with caution. In our full sample, 37% of board members were observed to be female. This differs from Worden and Saez’s (2021) findings of gender parity, although it is closer to Osili et al.’s finding of 43% female representation in international nonprofits (Osili et al., 2018: 12).

**Table 3.** Descriptive Statistics for Board Members

Variable	<i>n</i>	Pct.	S.d. (pct.)
<b>Demographics</b>			
Female	395	37%	48%
Person of Color	385	25%	44%
Retirement age	387	20%	40%
<b>Functional competencies</b>			
Financial competency	374	52%	50%
Subject competency	386	16%	37%
Policy competency	386	11%	32%
<b>Cognitive background</b>			
Public sector	382	33%	47%
Lived experience	381	1%	10%
Aid eligible	388	10%	29%

About 25% of board members were observed to be people of color. This result aligns roughly with Worden and Saez’s 27% (2021) and Lee’s (2022) 30% (based on a broader sample of US nonprofits) but diverges substantially from the 7% found by Osili et al. (2018) among international nonprofits. Compared with census data on racial self-identification in the United States, people of color are underrepresented across sampled TNGO boards (United States Census Bureau, 2021). In addition, it is also notable that 42% of female board members are also people

of color. This may contribute to the representation of intersectional identities but may also imply less diverse representation as a proportion of all board members. About 20% of board members were retirement age.

Worden and Saez (2021) identified financial and fundraising knowledge as the dominant competency on TNGO boards. Our results further emphasize this finding even with a much narrower definition of financial competency. In our sample, about 52% of board members exhibit this competency. Subject matter competency was relatively scarce at about 16%, and policy competency was even rarer at about 11% of the sample.

Only about one-third of board members indicated a significant background in public service either in government or in the nonprofit sector. Only 1% indicated that they had lived experience as actual or potential TNGO beneficiaries, compared with 2% in the Worden and Saez study. Finally, only about 10% of board members have resided in aid eligible countries. This is lower than the 19% found by Worden and Saez (2021). Global Health 50/50 found that 25% of board members on global health bodies had resided in LMICs, but only 2.5% had resided in the subset of low-income nations (Global Health 50/50, 2022).

The LCA reveals additional information about TNGO board composition patterns. Table 4 displays model fit statistics for latent class models with one to five latent classes (clusters). The Akaike and Bayesian information criteria are minimized for the model with two clusters, indicating that the two-cluster model is the preferred model. An examination of the posterior membership probabilities for the clusters to which the TNGOs were assigned indicates that classification error is negligible, with all probabilities for the modal assignments greater than 0.99.

**Table 4.** Model Fit

Model	ll(model)	AIC	BIC
One cluster	111.69	-187.37	-165.43
Two clusters	151.61	-247.23	-213.10
Three clusters	160.96	-245.92	-199.60
Four clusters	165.31	-234.62	-176.11
Five clusters	172.01	-228.02	-157.32

Table 5 displays the profiles for the two clusters. The model estimates that about 80% of TNGOs belong to Cluster 1. Boards in Cluster 1 have members who are predominantly male, white, have financial competency, or have a business background. Cluster 1 type boards are also more likely to include members of retirement age compared with Cluster 2 type boards. No Cluster 1 boards include members with lived experience. Boards in Cluster 2 account for about 20% of the sample. Boards in Cluster 2, by contrast, have greater representation of women, people of color, members with subject matter competency, members with public service backgrounds, and members from aid eligible countries.

The assignment solution for the latent class analysis is displayed in Table 6. Cluster 1 contains 20 TNGOs and Cluster 2 contains 5 TNGOs. As shown in Table 5, Cluster 2 TNGOs are, on average, younger, larger, and have smaller boards compared with Cluster 1 TNGOs.

**Table 5.** Latent Class Profiles <sup>a</sup>

	Cluster 1	Cluster 2
Cluster size	80%	20%
Indicators		
Female	35%	44%
Person of color	20%	53%
Retirement age	20%	8%
Financial competency	55%	38%
Subject competency	11%	43%
Policy competency	11%	19%
Public sector	30%	47%
Lived experience	0%	6%
Aid eligible	3%	44%
Inactive covariates		
Ruling year	1985	1991
Total revenue	361.55	468.23
Board size	16.40	13.40

<sup>a</sup> Cluster size represents the predicted proportion of organizations in each cluster. Indicators represent the respective predicted percentages conditional on the cluster. Inactive covariates represent means by cluster. Total revenue is expressed in US\$ millions.

**Table 6.** Cluster Membership

Cluster 1	Cluster 2
Americares Foundation	CARE International
Carter Center	Doctors without borders
Catholic Medical Mission Board	OneAcre Fund
Charity Water	Unbound
Convoy of Hope	World Vision International
CURE International	
Direct Relief	
DKT International	
Global Giving	
Good360	
HIAS	
MAP International	
Matthew 25 Ministries	
Medical Teams International	
Mercy Ships	
Partners in Health	
Room to Read	
Rotary Foundation of Rotary International	
Samaritan's Purse	
Save the Children	

The latent class analysis results suggest that there are two main types of governing board within the sample of leading TNGOs. The board type represented by Cluster 1 appears to be relatively traditional in its larger representation of male individuals, white individuals, retirement age individuals, and individuals with financial competency. The board type represented by Cluster 2 appears to be relatively more inclusive due to the greater representation of female individuals, people of color, individuals with subject and policy competencies, individuals with public service backgrounds, individuals with lived experience, and individuals who have resided in aid eligible countries. Therefore, we subsequently label Cluster 1 the *traditional* board type and Cluster 2 the *inclusive* board type.

To examine these two board types further, we then analyzed organizations' websites and annual reports for the presence of explicit references to DEI. Specifically, for each organization we reviewed the most recent annual report posted online and visited the "About Us" section to identify any information regarding the composition of their leadership, board, or staff. If organizations provided information on any diversity measure (gender, race, etc.) with regard to any of these three groups, they were counted as communicating DEI measures to external audiences (Candid, 2023). Among the cluster of 20 organizations with the traditional board type, a total of 18 TNGOs or 90% have no references at all to DEI on their websites or in their annual reports. Instead, the noticeable preference for these organizations was to highlight financial information and credentials from third-party information intermediaries such as Charity Navigator, suggesting that a projection of fiscal probity may be an important source of legitimacy for these TNGOs (Mitchell & Calabrese, 2019). Primary accountability appears to be directed toward donors with typical websites featuring financial data, IRS Forms 990, and third-party credentials (see, for example, Americares Foundation, 2022). These TNGOs also directly appeal to donors with headlines such as "Your gift goes further" (Mercy Ships, 2022) and "Every single dollar matters" (Medical Teams International, 2022). Only two organizations in the majority cluster, Rotary International and Save the Children, discuss DEI on their webpages (Rotary International, 2022; Save the Children, 2022).

The five organizations with the inclusive board type create a different impression compared to the organizations with the traditional board type. In contrast to TNGOs with the traditional board type, four of the five TNGOs or 80% of those with the inclusive board type mention DEI online. For example, CARE offers an explicit breakdown of gender and racial diversity for its board, staff, and leadership team (CARE International, 2022). Doctors without Borders indicates that its leadership pledged in July 2020 "radical action to address racism" within the organization by diversifying leadership (Doctors Without Borders, 2021). OneAcre Fund features a full section on its website titled "Progress on our DEI commitments" with a focus on diverse leadership and extensive information about local staff, gender equity, and inclusion practices (OneAcre Fund, 2021). World Vision did not include DEI commitments as prominently on its website; however, it provides diversity information about its staff in its Global Accountability report (World Vision, 2021) and has released statements about a Christian approach to addressing diversity and inclusion (World Vision, 2020). The relationship between board type and the presence of DEI information on organizational websites or annual reports is summarized in Table 7.

This evidence does not provide a full account of DEI practices across the sample because not all commitments and (internal) practices may be highlighted online. However, it matters how leading TNGOs represent themselves publicly because such displays may shape expectations and provide a benchmark against which other TNGOs may model their own practices in the pursuit of legitimacy. The assessment of TNGOs' public DEI commitments suggests that

organizational discourse may be an important correlate or indicator of real, in-use governance practices.

**Table 7.** Board Type and DEI Evidence <sup>a</sup>

DEI policies	Board type (cluster)		Total
	Traditional (1)	Inclusive (2)	
No	18	1	19
	<i>94.74%</i>	<i>5.26%</i>	<i>100%</i>
Yes	2	4	6
	<i>33.33%</i>	<i>66.67%</i>	<i>100%</i>
Total	20	5	25
	<i>80%</i>	<i>20%</i>	<i>100%</i>
	100%	100%	100%

<sup>a</sup> Italicized figures represent row percentages.  $\chi^2 = 10.75$ ;  $p = 0.00$ .

Finally, to explore the relationship between fiscal probity signaling and board type, we coded organizational websites for evidence of fiscal probity signals present on their landing pages and financials pages. Fiscal probity signals include program expense ratios, overhead pie charts, and third-party designations from information intermediaries like Charity Navigator that incorporate financial data into their ratings (Mitchell & Calabrese, 2019). Consistent with isomorphic pressures (DiMaggio & Powell, 1983), organizations may display these designations to signal their conformance with sectoral financial norms, thereby claiming legitimacy (Mitchell & Coupet, 2023). However, the presence of fiscal probity signals did not significantly differ by cluster, with 85% of organizations in Cluster 1 and 80% of organizations in Cluster 2 exhibiting such signals. The association is similarly insignificant when coding for only the presence of the program expense ratio, at 60% and 80%, respectively. As such, this signaling behavior appears to be widespread and does not differ significantly by board type for this sample.

## Discussion

Although the above analysis cannot establish causality, the patterns observed suggest that board type may be connected to deeper organizational commitments to DEI that may manifest in rhetoric, strategy, and board composition. For TNGOs with traditional boards, inclusive language is much less common; instead, these TNGOs tend to emphasize fiscal probity signals such as pie charts showing low-overhead ratios and “seals of approval” from independent charity assessors. This represents a conventional model for charitable organizations to establish legitimacy focusing on financial stewardship and trustworthiness (Mitchell et al., 2020). TNGOs with inclusive boards, by contrast, may be attempting to establish legitimacy not only through fiscal probity signaling but also by manifesting their principled commitments to DEI with governance practices that empower a more diverse set of stakeholders.

However, the traditional board type is not necessarily an “exclusive” type, nor does it necessarily represent control failure or a rhetoric-reality gap. Four caveats warrant consideration. First,



traditional boards, while they may appear to be less inclusive, may still provide indirect representation to the extent that board members identify with, and act in solidarity with, other stakeholders. However, this circumstance is virtually impossible to ascertain at-a-distance based on online information. Second, it may be that TNGOs with traditional boards are primarily seeking to fulfill their role as fiduciary agents of Global North donors, who may be predominately male and white and focused on financial stewardship. In the US legal and normative context, the traditional board type may, in that sense, represent an arguably appropriate governance model in which Global North financial supporters are duly represented. Third, board diversity or inclusiveness, as observed, may or may not be correlated with board representativeness. Evaluating board representativeness would require a more detailed assessment of an organization's stakeholder communities and the correspondence between those communities and board member characteristics, which is beyond the scope of this study. Whether more diverse and inclusive boards are also more representative of relevant stakeholders constitutes an important area for future research. Finally, the traditional board type may not represent a rhetoric-reality gap per se because these organizations mostly do not express the associated rhetoric. As such, perceptions of a rhetoric-reality gap may be, to some degree, an artifact of conflating the two different types of TNGOs with their different rhetorical commitments and board types.

The presence of the inclusive board type in the sample, with the attendant principled commitments to DEI highlighted online, suggests that at least some TNGOs have embraced more outwardly intentional governance practices designed to empower a wider range of stakeholders. Despite the presence of this distinct cluster, however, the sample showed very few board members with subject matter competency, policy competency, a background in public service, relevant lived experience, or residence in an aid eligible country.

Important limitations of this study give reason for caution when interpreting the findings. First, the purposeful sample includes only leading TNGOs and is therefore not statistically representative of a larger TNGO population. Second, the coding did not account for characteristics such as socioeconomic status, religion, disability, and sexual orientation, due to data limitations. Third, US boards are not the only relevant governance mechanism at work in TNGOs. Many TNGOs have transnational secretariats and many are organized as confederations with relatively autonomous, self-governing local, national, and regional member organizations in the Global South. Foreign affiliate or member organizations may practice different models of governance than the US-based entity. These other governance structures and practices, while important for assessing issues like control failure, are beyond the scope of this study. Fourth, this study did not examine specific internal policies designed to advance DEI as have been highlighted in research as important to translating rhetorical commitments into effective practices (Fredette, Bradshaw, & Krause, 2015). Fifth, the data capture how these TNGOs and their board members express themselves online and do not capture undisclosed information. Finally, the exploratory study cannot determine causality between board type and DEI rhetoric, despite finding an association. Nevertheless, this study provides important findings and lessons learned to inform future research and practice, as discussed below.

## **Conclusion**

Academic research on TNGOs has yet to focus sustained, systematic attention on issues of board composition, strategic governance reform, the rhetoric-reality gap, and organizational legitimacy. Contributing to a nascent literature with notable contributions from Worden and Saez (2021) and Global Health 50/50 (2022), this study investigated the composition of the governing boards of 25 leading TNGOs in the United States with respect to demographic, competency, and cognitive

background characteristics. The study focused on TNGOs recognized for their large size and high performance because such organizations may provide models for other TNGOs to emulate for legitimacy.

Based on a systematic empirical analysis of 395 board members and their demographic, functional, competency, and cognitive background characteristics, we employed latent class analysis to discover two qualitatively distinct types of TNGO board: traditional and inclusive. After classifying organizations based on this novel typology, subsequent analysis identified a statistical association between board type and organizational rhetoric about diversity, equity, and inclusion. The inclusive board type is associated with evidence of DEI rhetoric and practices, whereas the traditional board type is not. While TNGOs with both types of boards appear to claim legitimacy through fiscal probity signals such as the display of third-party accreditations and overhead pie charts, principally it is TNGOs with the inclusive board type that augment this information with evidence of DEI commitments and practices. As such, we propose that future scholarship further examine the strategies with which TNGOs garner and maintain organizational legitimacy. Specifically, we find evidence for the existence of at least two general legitimacy strategies employed by leading TNGOs: one focused primarily on fiscal probity signaling and presumably directed toward financial supporters; and another that combines fiscal probity signaling with an observable strategic alignment between espoused DEI commitments and governance practices.

Additionally, this study contributes to literature about the so-called rhetoric–reality gap in which leading TNGOs are perceived to be failing to operationalize their rhetorical commitments to DEI in their own governance practices (Mitchell et al., 2020). We find that this perception may be due in part to theoretically and empirically meaningful heterogeneity in how individual TNGOs maintain organizational legitimacy. More research is needed to better understand the complex linkages among organizational rhetoric, governance practices, and organizational legitimacy to inform current and future TNGO reform efforts.

While the business sector in the United States and elsewhere has faced regulatory pressures to address governing board composition, similar regulatory efforts have not yet materialized for the nonprofit sector. This leaves the sector largely on its own when considering reforms that might contribute to more inclusive governance practices and patterns of representation. In the United States, charity law and sectoral norms appear to favor a traditional model of board governance that appears to privilege the US donor class. The empirical results of this study find evidence of the enduring power of this legal and normative architecture, which may create obstacles to more inclusive board development practices for some organizations (Mitchell et al., 2020; Schmitz & Mitchell, 2022a). Some TNGOs have responded to demands for change by moving their headquarters closer to their program activities (e.g., ActionAid to Johannesburg, South Africa, or Oxfam to Nairobi, Kenya) or reforming their governance structures to empower sections in the Global South (Ojelay-Surtees, 2004). Others have created additional bodies, including advisory committees, to complement the work of the governing board. These examples and the results of this study reveal the presence of a perhaps small but noteworthy group of TNGOs transforming themselves through strategic reforms. Additional research on these initiatives and the related processes of localization may derive useful lessons for subsequent reforms.

Board composition is an essential component of an organization’s overall governance model and legitimating practices. Importantly, TNGO boards generate essential linkages between organizations and their stakeholders. Ultimately, how TNGOs compose their boards may have profound implications for the experiences and circumstances of affected communities. Greater

attention to TNGO board composition and development practices is needed to inform current and future governance reform efforts intended to improve organizational legitimacy, effectiveness, and relevance.

## Notes

1. Replication files are available at OSF:  
[https://osf.io/eda93/?view\\_only=0c71082a61484528beba99aac9c3a398](https://osf.io/eda93/?view_only=0c71082a61484528beba99aac9c3a398)
2. The Kasperick Foundation provided support for parts of this research. A review of the Kasperick Foundation's Forms 990 conducted after the completion of this research revealed that the foundation previously provided financial support to at least one organization in the sample, OneAcre Fund.

## Disclosure Statement

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

## References

- Adams, R. B., Akyol, A. C., & Verwijmeren, P. (2018). Director skill sets. *Journal of Financial Economics*, 130(3), 641-662. doi:<https://doi.org/10.1016/j.jfineco.2018.04.010>
- Ahlquist, J. S., & Breunig, C. (2012). Model-based clustering and typologies in the social sciences. *Political Analysis*, 20(1), 92-112. doi:10.1093/pan/mpr039
- Allotey, P., & Reidpath, D. D. (2022). Improving diversity in global health governing boards. *The Lancet*, 399(10336), 1673-1675.
- Americares Foundation. (2022). Financials and Credentials. Retrieved from <https://www.americares.org/about-us/credentials/>
- Azevedo, L., Gaynor, T. S., Shelby, K., & Santos, G. (2021). The complexity of diversity and importance for equitable philanthropy. *Nonprofit Management and Leadership*, 31(3), 595-607. doi:<https://doi.org/10.1002/nml.21448>
- Ben-Ner, A. (1994). Who benefits from the nonprofit sector? Reforming law and public policy towards nonprofit organizations. *The Yale Law Journal*, 104, 731-762.
- Bernstein, R. S., & Fredette, C. (2019). The impact of leadership diversity among nonprofit organizations. *AOM Annual Meeting Proceedings*, 1-6. doi:10.5465/AMBPP.2019.94
- BoardSource. (2021). *Leading with intent: BoardSource index of nonprofit board practices*. BoardSource.
- Brown, W. A. (2005). Exploring the association between board and organizational performance in nonprofit organizations. *Nonprofit Management & Leadership*, 15(3), 317-339. doi:<https://doi.org/10.1002/nml.71>
- Buse, K., Sessler B. R., & Bilimoria, D. (2016). The influence of board diversity, board diversity policies and practices, and board inclusion behaviors on nonprofit governance practices. *Journal of Business Ethics*, 133(1), 179-191. doi:10.1007/s10551-014-2352-z
- Candid. (2023). Collecting nonprofit demographic data. Retrieved from <https://candid.org/about/partners/collecting-nonprofit-demographic-data>

- Carbone, J. (2022). Board diversity: People or pathways? *Law and Contemporary Problems*, 85(1), 167-213.
- CARE International. (2022). Equity and inclusion at CARE. Retrieved from <https://www.care.org/about-us/equity-and-inclusion/>
- Charity Navigator. (2020). Advanced search. Retrieved from <https://www.charitynavigator.org/index.cfm?bay=search.advanced>
- Cnaan, R. A., Jones, K., Dickin, A., & Salomon, M. (2011). Nonprofit watchdogs: Do they serve the average donor? *Nonprofit Management and Leadership*, 21(4), 381-397. doi:<https://doi.org/10.1002/nml.20032>
- Deloffre, M. Z. (2016). Global accountability communities: NGO self-regulation in the humanitarian sector. *Review of International Studies*, 42(4), 724-747. doi:10.1017/S0260210515000601
- DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48, 147-160. doi:<https://doi.org/10.2307/2095101>
- Doctors Without Borders. (2021). Upholding diversity, equity, and inclusion at MSF. Retrieved from <https://www.doctorswithoutborders.org/who-we-are/commitment-to-DEI>
- Financial Conduct Authority. (2022). FCA finalises proposals to boost disclosure of diversity on listed company boards and executive committees. Retrieved from <https://www.fca.org.uk/news/press-releases/fca-finalises-proposals-boost-disclosure-diversity-listed-company-boards-executive-committees>
- Forbes. (2020). The 100 largest U.S. charities. Retrieved from <https://www.forbes.com/top-charities/>
- Fredette, C., Bradshaw, P., & Krause, H. (2015). From diversity to inclusion: A multimethod study of diverse governing groups. *Nonprofit and Voluntary Sector Quarterly*, 45(1\_suppl), 28S-51S. doi:10.1177/0899764015599456
- Fredette, C., & Sessler Bernstein, R. (2019). Ethno-racial diversity on nonprofit boards: A critical mass perspective. *Nonprofit and Voluntary Sector Quarterly*, 48(5), 931-952. doi:10.1177/0899764019839778
- Fredette, C., & Sessler Bernstein, R. (2021). Governance effectiveness: The interaction of ethno-racial diversity and social capital. *Nonprofit and Voluntary Sector Quarterly*, 50(4), 816-841. doi:10.1177/0899764020977698
- Freeman, R. E. (2010a). *Stakeholder theory: The state of the art*. Cambridge, UK: Cambridge University Press.
- Freeman, R. E. (2010b). *Strategic management: A stakeholder approach*. Cambridge, UK: Cambridge University Press.
- Gazley, B., & Nicholson-Crotty, J. (2017). What drives good governance? A structural equation model of nonprofit board performance. *Nonprofit and Voluntary Sector Quarterly*, 47(2), 262-285. doi:10.1177/0899764017746019
- Global Health 50/50. (2022). *Boards for all? A review of power, policy and people on the boards of organisations active in global health: Global Health 50/50*.
- Gugerty, M. K. (2008). The effectiveness of NGO self-regulation: Theory and evidence from Africa. *Public Administration and Development*, 28(2), 105-118. doi:<https://doi.org/10.1002/pad.490>
- Guo, C., & Musso, J. A. (2007). Representation in nonprofit and voluntary organizations: A conceptual framework. *Nonprofit and Voluntary Sector Quarterly*, 36(2), 308-326. doi:10.1177/0899764006289764
- Guo, C., & Saxton, G. D. (2010). Voice-in, voice-out: Constituent participation and nonprofit advocacy. *Nonprofit Policy Forum*, 1(1). doi:doi:10.2202/2154-3348.1000

- Harris, E. E. (2014). The Impact of board diversity and expertise on nonprofit performance. *Nonprofit Management and Leadership*, 25(2), 113-130. doi:<https://doi.org/10.1002/nml.21115>
- Harrison, D. A., & Klein, K. J. (2007). What's the difference? Diversity constructs as separation, variety, or disparity in organizations. *Academy of Management Review*, 32(4), 1199-1228. doi:<https://doi.org/10.5465/amr.2007.26586096>
- Heemskerk, K., Heemskerk, E. M., & Wats, M. (2015). Behavioral determinants of nonprofit board performance. *Nonprofit Management and Leadership*, 25(4), 417-430. doi:<https://doi.org/10.1002/nml.21137>
- Khatib, Saleh F. A., Abdullah, D. F., Elamer, A. A., & Abueid, R. (2021). Nudging toward diversity in the boardroom: A systematic literature review of board diversity of financial institutions. *Business Strategy and the Environment*, 30(2), 985-1002. doi:<https://doi.org/10.1002/bse.2665>
- Lee, Y.-J. (2021). Nonprofit arts organizations' pursuit of public interests: The role of board diversity. *Nonprofit Policy Forum*, 12(4), 563-587. doi:[doi:10.1515/npf-2020-0036](https://doi.org/10.1515/npf-2020-0036)
- Lee, Y.-J. (2022). The color of nonprofit leadership: Nonprofits with a CEO of color. *Nonprofit Management & Leadership*, 1-14. doi:[10.1002/nml.21545](https://doi.org/10.1002/nml.21545)
- Lindenberg, M., & Bryant, C. (2001). *Going global. Transforming relief and development NGOs*. Bloomfield, CT: Kumarian Press.
- Medical Teams International. (2022). Financials. Accountable to take our responsibilities and role seriously. Retrieved from <https://www.medicalteams.org/who-we-are/financials/>
- Mercy Ships. (2022). About Us. Retrieved from <https://www.mercyships.org/about-us/>
- Miller-Millesen, J. L. (2003). Understanding the behavior of nonprofit boards of directors: A theory-based approach. *Nonprofit and Voluntary Sector Quarterly*, 32(4), 521-547. doi:[10.1177/0899764003257463](https://doi.org/10.1177/0899764003257463)
- Mitchell, G. E. (2014). The strategic orientations of US-based NGOs. *Voluntas*, 26(5), 1874-1893. doi:[10.1007/s11266-014-9507-5](https://doi.org/10.1007/s11266-014-9507-5)
- Mitchell, G. E. (2019). NGOs in the United States. In Thomas Davies (Ed.), *Routledge handbook of NGOs and international relations* (pp. 415-432). New York: Routledge.
- Mitchell, G. E. (2023). Three models of US state-level charity regulation. *Nonprofit Policy Forum*, 1-25. doi:<https://doi.org/10.1515/npf-2022-0051>
- Mitchell, G. E., & Calabrese, T. (2022). The hidden cost of trustworthiness. *Nonprofit and Voluntary Sector Quarterly*. <https://doi.org/10.1177/08997640221092794> doi:[10.1177/08997640221092794](https://doi.org/10.1177/08997640221092794)
- Mitchell, G. E., & Calabrese, T. D. (2019). Proverbs of nonprofit financial management. *The American Review of Public Administration*, 49(6), 649-661. doi:[10.1177/0275074018770458](https://doi.org/10.1177/0275074018770458)
- Mitchell, G. E., & Coupet, J. (2023). Sector Theorists should revisit the role of information. In C. Child & E. Witesman (Eds.), *Reimagining nonprofits* (pp. 191-214). Cambridge, UK: Cambridge University Press.
- Mitchell, G. E., & Schmitz, H. P. (2021). Using model-based clustering to improve qualitative inquiry: Computer-aided qualitative data analysis, latent class analysis, and interpretive transparency. *Voluntas*. doi:<https://doi.org/10.1007/s11266-021-00409-8>
- Mitchell, G. E., Schmitz, H. P., & Bruno-van Vijfeijken, T. (2020). *Between power and irrelevance: The future of transnational NGOs*. New York, NY: Oxford University Press.
- Mitchell, G. E., & Stroup, S. S. (2020). Domestic constraints on the global impact of US development TNGOs. *Development in Practice*, 30(6), 774-783. doi:[10.1080/09614524.2020.1801586](https://doi.org/10.1080/09614524.2020.1801586)

- National Council of Nonprofits (2022). Board roles and responsibilities. Retrieved from <https://www.councilofnonprofits.org/running-nonprofit/governance-leadership/board-roles-and-responsibilities>
- Ojelay-Surtees, B. (2004). Diversity in Oxfam GB: Engaging the head and turning the heart. *Gender & Development*, 12(1), 56-67. doi:10.1080/13552070410001726526
- OneAcre Fund. (2021). 2021 People & DEI report. Retrieved from <https://oneacrefund.org/2021-people-dei-report/>
- Osili, U., Zarins, S., Bergdoll, J., et al. (2018). *The impact of diversity: Understanding how nonprofit board diversity affects philanthropy, leadership, and board engagement*. Indianapolis: Lilly Family School of Philanthropy.
- Pailey, R. N. (2020). De-centring the 'white gaze' of development. *Development and Change*, 51(3), 729-745. doi:<https://doi.org/10.1111/dech.12550>
- Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & Colle, S. de. (2010). Stakeholder theory: The state of the art. *The Academy of Management Annals*, 4(1), 403-445. doi:<https://doi.org/10.5465/19416520.2010.495581>
- Peace Direct. (2021). *Time to decolonise aid. Insights and lessons from a global consultation* (2nd ed.). London: Peace Direct.
- Renz, D. O., Brown, W. A., & Andersson, F. O. (2022). The evolution of nonprofit governance research: Reflections, insights, and next steps. *Nonprofit and Voluntary Sector Quarterly*. doi:10.1177/08997640221111011
- RINGO Project. (2021). Fostering equitable North-South civil society partnerships. Retrieved from <https://rightscolab.org/ringo-projects-first-research-report-voices-from-the-south/>
- Rotary International. (2022). Rotary's commitment to diversity, equity, and inclusion. Retrieved from <https://www.rotary.org/en/about-rotary/diversity-equity-and-inclusion>
- Salamon, L. M. (1987). Of market failure, voluntary failure, and third-party government: Toward a theory of government-nonprofit relations in the modern welfare state. *Journal of Voluntary Action Research*, 16(1-2), 29-49. doi:10.1177/089976408701600104
- Salamon, L. M., & Flaherty, S. L. Q. (1996). *Nonprofit law: Ten issues in search of resolution*. Baltimore: The Johns Hopkins Institute for Policy Studies.
- Save the Children. (2022). Diversity, equity and inclusion. Retrieved from <https://www.savethechildren.org/us/about-us/careers/diversity-equity-inclusion>
- Schmitz, H. P., & Mitchell, G. E. (2022a). Understanding the limits of transnational NGO Power: Forms, norms, and the architecture. *International Studies Review*, 24(3), 1-27. doi:10.1093/isr/viac042
- Sessler B. R., & Bilimoria, D. (2013). Diversity perspectives and minority nonprofit board member inclusion. *Equality, Diversity and Inclusion: An International Journal*, 32(7), 636-653. doi:<https://doi.org/10.1108/EDI-02-2012-0010>
- Siciliano, J. I. (1996). The relationship of board member diversity to organizational performance. *Journal of Business Ethics*, 15(12), 1313-1320. doi:10.1007/BF00411816
- Smith, R. A. (2015). Contributions and barriers to developing Black and Latino Leadership in the public and nonprofit sectors of the economy. In M. Pilati, H. Sheikh, F. Sperotti, & C. Tilly (Eds.), *How global migration changes the workforce diversity equation*. Newcastle upon Tyne, UK: Cambridge Scholars Publishing.
- Sohn, M.-W., Zhang, H., Arnold, N., et al. (2006). Transition to the new race/ethnicity data collection standards in the Department of Veterans Affairs. *Population Health Metrics*, 4(1), 7. doi:10.1186/1478-7954-4-7
- Stroup, S. S. (2012). *Borders among activists: International NGOs in the United States, Britain, and France*. Ithaca, NY: Cornell University Press.

- Szper, R., & Prakash, A. (2011). Charity watchdogs and the limits of information-based regulation. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 22(1), 112-141. doi:10.1007/s11266-010-9156-2
- Talavera, O., Yin, S., & Zhang, M. (2028). Age diversity, directors' personal values, and bank performance. *International Review of Financial Analysis*, 55, 60-79. doi:10.1016/j.irfa.2017.10.007
- Tomlinson, F., & Schwabenland, C. (2009). Reconciling competing discourses of diversity? The UK non-profit sector between social justice and the business case. *Organization*, 17(1), 101-121. doi:10.1177/1350508409350237
- Torchia, M., Calabrò, A., & Morner, M. (2015). Board of directors' diversity, creativity, and cognitive conflict. *International Studies of Management & Organization*, 45(1), 6-24. doi:10.1080/00208825.2015.1005992
- United States Census Bureau. (2021). Race and ethnicity in the United States: 2010 Census and 2020 Census. Retrieved from <https://www.census.gov/library/visualizations/interactive/race-and-ethnicity-in-the-united-state-2010-and-2020-census.html>
- Vermunt, J. K., & Magidson, J. (2002). Latent class cluster analysis. In J. Hagenaars & A. L. McCutcheon (Eds.), *Applied latent class analysis* (pp. 89-106). Cambridge: Cambridge University Press.
- Vijfeijken, T. B.-van, & Tallack, B. (2021). Between power and irrelevance: Are ICSOs actually looking at shifting their roles? Retrieved from <https://icscentre.org/2021/03/18/between-power-and-irrelevance-are-icsos-actually-looking-at-shifting-their-roles/>
- Weisinger, J. Y., Borges-Méndez, R., & Milofsky, C. (2015). Diversity in the nonprofit and voluntary sector. *Nonprofit and Voluntary Sector Quarterly*, 45(1\_suppl), 3S-27S. doi:10.1177/0899764015613568
- Worden, R., & Saez, P. (2021). *Decolonizing the humanitarian nonprofit sector: Why governing boards are key*. Washington, DC: Center for Global Development.
- World Vision. (2020, October 22). 3 ways World Vision is fighting racial bias and injustice. Retrieved from <https://www.worldvision.org/christian-faith-news-stories/3-ways-world-vision-fighting-racial-bias-injustice>
- World Vision. (2021). *Global Accountability Report*: World Vision.
- Worthington, S., & Grashow, A. (2018). *NGO board reckoning*. Washington, DC: InterAction and Good Wolf Group.

## **Author Biographies**

**George E. Mitchell** is a professor at the Marxe School of Public and International Affairs at Baruch College, City University of New York. His research examines topics in NGO and nonprofit management, leadership, and strategy.

**Peter H. Nerothin** is a lecturer at The L. Robert Payne School of Hospitality and Tourism Management at San Diego State University. His participation in this project took place during his doctoral training at the University of San Diego.

**Megan Burns Pontes, PhD** is an assistant teaching professor in nonprofit and leadership management at Arizona State University. Her research interests include nonprofit advocacy, philanthropy, governance, and social enterprise.

**Hans Peter Schmitz** is Bob and Carol Mattocks Distinguished Professor in Nonprofit Leadership at North Carolina State University. His research focuses on international nongovernmental organizations, human rights, and philanthropy.

**Caroline N. Walsh, PhD** is an organizational consultant at Global Data Risk LLC. Her participation in this project took place during her doctoral training at the University of San Diego.



JPNA  
JOURNAL OF PUBLIC AND NONPROFIT AFFAIRS