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Spring 2024 | Thursdays 4-7pm, Hart 3008

Data Analytics for Managerial Leadership

WK 2 & WK 3

TOPICS TO COVER

- Market, the state, and institutional environment
- Legal, political, and economic pillars
- Revenue sources and financing strategies

Market, the state, and institutional environment

READINGS

Brody (2006). Chapter 11

Jenkins (2006). Chapter 13

Steinberg (2006). Chapter 5

Smith & Groenbjerg (2006). Chapter 10

Steinberg (1993)

OVERVIEW QUESTIONS

- How do legal mechanisms control NP’s behavior? (legal)
- What does NP advocacy organization do? (political)
- How do we explain the rationale for NP’s existence in relation to GOV & FP? (economic)

ISSUES IN THE NEWS

Barkhorn, I., Huttner, N., & Blau, J. (2013, Spring). Assessing Advocacy. Stanford Social Innovation Review.

Page, A., & Katz, R. A. (2012, Fall). The Truth About Ben and Jerry's. Stanford Social Innovation Review.

THREE MODELS

Three models (Smith & Groenbjerg 2006 Ch 10)

- Demand/supply model (three failures theory)
- Civil society/social movement model
- Regime/neo-institutional model

NONPROFIT ADVOCACY

NP advocacy

- Representation of under-represented voices?
- Challenges to sustaining advocacy organizations

NONPROFIT ADVOCACY

Various approaches to explaining formation of NP advocacy

- Disturbance theory;
- Resource mobilization theory; Political opportunity theory;
- Organizational ecology theory;
- Social construction theory

NONPROFIT ADVOCACY

Issues

- Who gets to define the public interest?
- How NP advocacy orgs sustain participation?
- Questions about the legitimacy of tax exemption benefits conferred to political organizations representing affluent populace

THREE FAILURES THEORY

- Market failure
- Government failure
- Voluntary failure

Steinberg (1993). Public Policy and the Performance of Nonprofit Organizations

Attempts to model the performance of NPs for public policy analysis

- Legal definitions of NP status be incorporated into the model
- Objective function emerge from the regulatory and competitive environment
- Emergence of competitors (FP, NP, GOV) be endogenous
- Information structure be fully specified and self-consistent

Legal, political, and economic pillars

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Revenue sources & financing strategies

OVERVIEW QUESTIONS

- What are NP’s major funding sources?
- What are relevant theories to explain NP revenue diversification?
- What approaches do NP use in their fundraising?

ISSUES IN THE NEWS

Foster, W., & Fine, G. (2007). How nonprofits get really big. Stanford Social Innovation Review, 5(2), 46-55.

READINGS

Anheier, H. K. (2014). Nonprofit organizations: Theory, management, policy. Routledge.

- Chapter 13: Financing nonprofit organizations

Saxton, G. D., Neely, D. G., & Guo, C. (2014). Web disclosure and the market for charitable contributions. Journal of Accounting and Public Policy, 33(2), 127-144.

Harris, E. E., Neely, D. G., & Saxton, G. D. (2021). Social media, signaling, and donations: Testing the financial returns on nonprofits' social media investment. Review of Accounting Studies, 1-31.

Revenue sources

I. Revenues from commercial activities

NP COMMERCIAL REVENUE

Represents the largest single source of revenue (Young, 1998)

Also most increasingly growing revenue source

II. Funding from government

GOV - NP FUNDING RELATIONSHIP

GOV contracts & grants in NP’s provision of public services

GOV FUNDING & NP FINANCIAL SUSTAINABILITY

- **Traditionally considered as predictable source of income**
  - Direct funding (subsidies, grants)
  - Indirect funding (tax-deductible contributions, tax credits)

- **Federal/state regulations affects NPs' resource sustainability (e.g., tax policy; tax exemption status)**

III-I. Private funders: Individuals, corporations

INDIVIDUAL DONORS: KEY ISSUES

Small donors vs. mega donors

- Reasons for giving
- Amount of giving & areas of giving
- Types of giving (restricted vs. unrestricted)

Episodic donors vs. repeated donors

- Different decision-making process in donating money
- Donor identification and retention strategy

WHO ARE TOP GIVERS? WHERE THEY GIVE?

The Top 25 Billionaire Givers (2014-2018)

1 | Warren Buffett

Giving Focus: ***health, poverty alleviation***

5-Year Total: ***$14.7 billion***

Net Worth: ***$90 billion***

Giving As % Of Current Net Worth: ***16.3%***

2 | Bill & Melinda Gates

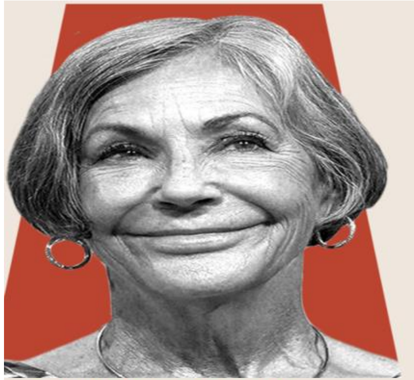
Giving Focus: ***health, poverty alleviation***

5-Year Total: ***$9.9 billion***

Net Worth: ***$109.6 billion***

Giving As % Of Current Net Worth: ***9%***

The couple runs the world's largest private charitable foundation, with $46.8 billion in assets. The Seattle-based nonprofit focuses on global poverty, economic development, healthcare and education, and has doled out $50.1 billion in grants since



5 | Walton Family

Giving Focus: ***education, environment***

5-Year Total: ***$2.3 billion***

Net Worth: ***$181.4 billion***

Giving As % Of Current Net Worth: ***1.3%***

Started by Walmart founder Sam Walton and his wife, Helen, the Walton Family Foundation is now run by second- and third-generation members including Alice, Rob and

(Source: Forbes, Jan 20, 2020, From Buffett to Bloomberg: The 25 Philanthropists In America Making The Biggest Donations)

PRIVATE FUNDERS: KEY ISSUES

How do philanthropists influence NP sector

- Professionalization
- Rationalization & formalization
- Financing options
- Elite philanthropy

III-II. Private funders: Foundations

INSTITUTIONAL FUNDING: KEY ISSUES

Local giving (geographic match between foundation – NP)

Foundations tend to restrict their gifts to “programmatic expenses” or “limit overhead rates”

Financing strategies

NP FUNDRAISING ACTIVITIES (IN US): TYPES

Hager, Rooney, & Pollak, 2002

- Internal capacity: The use of staff members dedicated to fundraising; also carried out by executive directors, volunteers, and board members

- External relationships: The use of federated campaigns, support organizations, and professional fundraising agencies

UNDERSTANDING FUNDRAISING STRATEGY

Approaches to fundraising strategy

- Sociodemographic approach
- Sociological approach (social network as social capital)
- Marketing approach (social media investment)