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**THE EFFECT OF FUNDRAISING STRATEGY ON  
THE HEALTH OF NON-PROFIT ORGANIZATIONS**

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**A Research Project  
Presented to the Faculty of  
the George L. Graziadio  
School of Business and Management  
Pepperdine University**

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**In Partial Fulfillment  
of the Requirements for the Degree  
Master of Science  
in  
Organization Development**

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**by  
Zach Sumner**

**July 2019**

This research project, completed by

ZACH SUMNER

Under the guidance of the Faculty Committee and approved by its members, has been submitted to and accepted by the faculty of The Graziadio Business School in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE  
IN ORGANIZATION DEVELOPMENT

Date: August 2019

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## Abstract

This study examined the impact of a funding model for non-profit organizations and think tanks in Oklahoma. 15 related parties to a non-profit, including board members, current employees, former employees, and contractors were recruited using convenience sampling and participated in interviews with questions related to funding models, organizational agility, dynamic capabilities, organizational effectiveness and longevity, and any ethical complications that may result from using a specific funding model.

Participants most notably reported holding the paradoxical belief that the organization ideally should rely on a few large-dollar donors, even as they expressed concerns that such reliance likely limits the ability of the organization to survive. This could perhaps be ameliorated by strong leadership and lines of communication. Future research should determine the degree to which one's position within the organization influences their opinion of salient issues, such as which fundraising strategy might contribute to the decline of the organization.

*Keywords:* funding, non-profit, organizational effectiveness

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## **Chapter 1: Introduction**

This research project focuses on the ability of non-profits, and especially think tanks, to respond quickly to their environments. A description of non-profits follows, and then the focus shifts to current pressures faced by the non-profit sector. A brief explanation of think tanks and a brief discussion of funding models follows. The section concludes by discussing unique challenges faced by think tanks in America, with the research questions bringing this chapter to a close.

### **Introduction and Context of Non-Profit Organizations in the United States**

A non-profit organization is dedicated to producing public benefit (National Council of Nonprofits). As of 2019, there were more than 1.56 million non-profit organizations operating within the United States, an increase of more than 10% since 2005. Non-profit organizations contributed almost a trillion dollars to the United States' gross domestic product in 2015, have provided the opportunity for individuals to volunteer for approximately 8.7 billion hours, and have assets that total approximately \$5 trillion dollars (McKeever, 2019). Put simply, non-profit organizations (NPOs) represent an important subset of organizations in the United States. NPOs come in several major forms, each suited for specific purposes. The most common kind of a non-profit, a 501(c)(3), is an organization that works for the public benefit, does not distribute profits to shareholders, and does not engage in substantive lobbying or legislative efforts (Arneal, 2015; Chance, 2016a). Examples of 501(c)(3) organizations include universities, organizations that serve the public health, and religious institutions. A 501(c)(4) organization is designed to promote social welfare and may spend unlimited sums of

money on lobbying or legislative activities, though it may be required to disclose its donor base.

Due to this flexibility to drive discussions around policy and political matters, many think tanks (discussed next) are organizing as 501(c)(4) organizations (Arneal, 2015). Examples of these types of non-profits are large, nationally-known institutions, such as Heritage and the Center for American Progress. Finally, 501(c)(6) organizations are referred to as “membership” organizations and include chambers of commerce and industry associations. These organizations typically require organizations to pay a membership fee and, in return, the organization advocates for their interests either with the public at large or through lobbying. These organizations are allowed to engage in political activity, “as long as that activity is not the primary purpose, however, those expenses might be subject to taxation” (Arneal, 2015, p. 3). Even in terms of how they are organized, NPOs are designed to create a tremendous amount of impact. This impact originates from not only their economic impact and social mission, but also their potential impact on public life.

...we are troubled by the digressive efforts and peripheral activities associated with revenue-seeking behavior. We worry and speculate about mission dilution and legitimacy erosion as distractions emerge from the necessary economic endeavors. (Froelich, 1999, p. 246)

A dual perspective on what constitutes the prime concerns for non-profit organizations is also captured by Weisbrod (1998) who asked “Can nonprofits simultaneously mimic private enterprise and perform their social missions?” (p. 167). Froelich (1999) was also “troubled by the digressive efforts and peripheral activities associated with revenue-

seeking behavior” (p. 246), especially to the degree that such behavior could contribute to "mission dilution and legitimacy erosion as distractions emerge from the necessary economic endeavors" (p. 246).

### **Think Tanks as Subsets of NPOs**

A think tank is a non-profit organization that is independent from entanglements with other organizations or interests and either engages in research, consults on policy, or both (Dongtao, 2018). Think tanks can create substantive ripples and can be utilized by cities and countries to drastically shape the environment (Akers, 2013; Dongtao, 2018), serving as a vitally important focal point for independent and substantive voices that challenge conventional wisdom (Drezner, 2017). In the United States, think tanks serve a substantive role in policy formation and dissemination, perhaps more than is typical in other countries (Weaver, 1989). According to Dongtao (2018), this material effect on policy discussion is by virtue of several factors: the recent rise and strengthening of techno-scientific reasoning, the checks and balances inherent in American government, how easy it is for the public to access the government, and the history of the tax code and public philanthropy. Techno-scientific reasoning “emphasizes the important role of social sciences in improving the quality of public policy in terms of efficiency, fairness and society’s common interests...[and] has motivated American scientists and entrepreneurs to provide more scientific policy consultation and politicians to demand and ‘buy’ such consultation products” (Dongtao, 2018, p. 9). In addition, American government is historically open to any scientific field, and scientists within their various fields have a long history of independent research using empirical methods in the United States. Also, because power is shared in America through the checks and balances system, that

inherently creates more competition, as “politicians need to compete with their political rivals for stronger support for their policy proposals...[and thus] require the expertise of think tanks to help them develop or justify their policy proposals” (Dongtao, 2018, p. 10). American government also tends to be permeable, meaning that it is relatively easy for people outside the government to be appointed for government positions and external opinion to shape governmental policies.

Dongtao (2018) goes on to state that the role of think tanks in that permeability is known as the “revolving door”, in which many former government officials join think tanks to “provide high-quality policy consultation and to wait for an opportunity to work in the government again... which the government and think tanks adopt to provide mobility and flow of talents and information between both sides” (p. 10). Finally, an important characteristic of the American think tank industry relates to the tax code, the history of philanthropy, and the growth of foundations. It is relatively easy for an organization to seek a section 501(c) charitable organization-designation in America. In addition, the US has a long history of philanthropy, with more than 86,000 foundations in existence as of 2014 (Statista). These organizations serve as a steady income stream for think tanks, providing necessary stability as policy is developed and allowing for independence from government support.

### **Purpose of the Study and Research Question**

Think tanks have been substantively affected by macro changes within the non-profit landscape. Therefore, the purpose of this research was to explore the suitability and sustainability for the donor-owner development and fundraising model within non-profit

organizations and especially think-tanks. The questions this research intended to explore were:

1. Should non-profits be concerned with agility? To what degree is the donor-owner model thought of as a dynamic capability?
2. What effect does it have on the organization as a whole when funding sources constrain the strategic and actionable pathways of an organization?
3. Is the donor-owner model sustainable and viable?

The organization in which this study took place is a small non-profit think tank located in Oklahoma. The organization courts donors, develops programs, and seeks to influence public policy through the release and dissemination of information and opinions.

## Chapter 2: Literature Review

This chapter opens by highlighting the growing uncertainty that organizations of all kinds increasingly face, as well as the challenges specifically facing non-profits and think tanks, including shrinking sources of organizational revenue, highlighting the importance of the non-profit sector developing the capacity to pursue discontinuous change. The chapter then examines several perspectives related to increasing the ability of non-profit organizations to develop this capacity: the resource-based view, which holds that organizations are in effect their resource bundles and that competitive advantage is created by possession of valuable and rare resources; the dynamic capabilities perspective, which prioritizes creating new, and repurposes uses for old, resources; finally, agility is explored, which represents the ability of the organization to effectively adjust to the changing environment.

### Deep Uncertainty

In order to understand the pressures, and subsequent competencies necessary to develop, that non-profit organizations seek to obviate through their fundraising strategies, it is necessary to understand uncertainty. Uncertainty and risk have always been a part of the environment for organizations. Teece et al. (2016) distinguishes between the two thusly: risk is calculable, which is what makes it possible for organizations to purchase financial instruments such as insurance; on the other hand, uncertainty is more ambiguous and about “unknown unknowns”, or the absence of awareness related to possibilities of which one is unaware. The authors further assert that “(r)isk today is easier than ever to manage because of the development of financial markets—in particular, the availability of complex securities. For example, exchange rate risk can be

hedged through forward contracts and other arrangements. If markets were complete, the firm could, in theory, achieve whatever level of risk it desires...” (Teece et al., 2016, p. 14). Uncertainty necessitates a different organizational response: “...under uncertainty, doing the right things is more important than doing things right” (Teece et al., 2016, p. 15). A definition of uncertainty relates to the inability to understand whether an event will affect the organization in any substantive way, an increasingly common conundrum for organizations to face (Bennet & Lemoine, 2014; Doheny et al., 2012).

### **Challenges Facing Non-Profit Organizations**

Non-profit organizations (NPO's) frequently face unique challenges. For example, because they typically blur the line between public and private ventures, they also typically combine the standard of efficacy for both: social benefit and financial performance, respectively. In addition, although some NPO's are phasing out their reliance on volunteers, that source of free labor is still important to many organizations. NPO's may also find that their ability to properly and in timely fashion report financial results hampered (Reheul et al., 2012). Finally, one of the most common ways to motivate workers, financial incentives are typically not as effective owing to the missional component of the organization: many employees of NPO's believe strongly in the stated goal of the NPO, and the level of their pay may not be as important to them. There can also be challenges related to the external environment as well. NPO's are typically constrained by limited funds, slowing down their response to the market. In addition, NPO's have increasingly faced the call to more efficiently and effectively utilized resources grant by donors. These dynamics have also led NPO's to more slowly change their practices (Horvath et al., 2018; Strategic Direction, 2015). Peng (2018) notes

for publicly-funded non-profits that “increased demands for accountability toward stakeholders require [public non-profit organizations] to optimize resources, mobilize for the evolution and transformation and simultaneously guarantee a regular production in order to contribute to the stability of the society” (p. 251).

The think tank industry in America has undergone change over the course of the past several decades. If the role of think tanks is to influence the public perception of issues and solutions by conducting fact-finding and sharing information (Russell, 2006), the success of think tanks in accomplishing that job description has slowly, but increasingly, become more difficult. Pessimism towards major institutions and eroding confidence in authority (Drezner, 2017; Hayes, 2013; Levin, 2016; Nichols, 2017), increasing partisanship (Pew, 2019; Shaw, 2012), and the rapid increase of a donor base that is wealthy and overwhelmingly libertarian in political outlook (Drezner, 2017).

#### **Funding sources for think tanks:**

Funding sources for think tanks in recent decades has shifted from foundations to individuals. Overby (2017) writes that “[o]nce [think tanks] lived on broad grants, from foundations and reticent millionaires. But now, the funders are often wealthy business people — in modern jargon, philanthro-capitalists — notably many from the tech industry” (p. 1). In the organization studied for this research, a donor-advised funding model is used, colloquially known as the 'donor-owner' model. According to the Internal Revenue Service, a donor-advised fund is:

...a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a sponsoring organization. Each account is composed of contributions made by individual donors. Once the donor



makes the contribution, the organization has legal control over it. However, the donor, or the donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account.

This funding model has grown in popularity over recent decades, especially with the advent of commercial donor-advised funds, which are products from financial institutions that are sponsored by private charitable arms (Hussey, 2010; McKeever, 2000). There are donor benefits of utilizing a donor-advised fund include the favorable tax treatment common to charitable contributions, and the flexibility to advise the non-profit when and to whom the proceeds should be distributed. The organization studied operates under a similar model: the only difference is that donors are encouraged to voice opinions about not only what their dollars should support, but the execution as well.

### **Resource Based View**

Any examination related to organizational agility would be incomplete without an understanding of the resource-based view. This view holds that organizations may be conceptualized as bundles of capabilities or resources with which the organization may develop or sustain competitive advantage relative to their competitors (Eisenhardt & Martin, 2000; Lockett et al., 2009). There are two central tenants to the resource-based view of firms: firm heterogeneity and path dependence. Heterogeneity refers to the fact that resources are spread unevenly across firms. Path dependence refers to the likelihood that what the firm has done in the past will dictate what the firm can do in the future; that is, the “activities of the firm will lead to the development of resources over time” (Lockett et al., 2009, p. 15).

Central to this view of firms is the connection between the resources an organization has at its disposal and sustainable competitive advantage. Specifically, those resources that are valuable, rare, inimitable, and non-substitutable (VRIN), contribute to generating strategies that are difficult for competing firms to replicate – that is, the acquisition and utilization of these resources contribute to creating sustain competitive advantage (Barney, 1991; Eisenhardt, 2000). It has also been suggested that since each set of resources available to individual firms are unique, since different decisions on the part of management lead to different bundles of resources, that each organization faces an inherently different set of opportunities (Lockett et al., 2009)

The resource-based view has gained much by incorporating dynamic capabilities. For example, the resource-based view asserts how organizations can build sustainable competitive advantage, a goal that is seen as unlikely in dynamic and volatile markets (Ambrosini & Bowman, 2009; D’Aevni et al., 2010; Wang & Ahmed, 2007). Dynamic capabilities help bridge the gap between a static VRIN mindset and the realities of market dynamism. The resource-based view is also distinct from, but related to, agility. Worley, et al. (2014) wrote:

Resource-based views of strategy are full of suggestions about how to make advantages difficult to imitate by raising switching costs, keeping intellectual property secret, or developing new products more quickly. As a result, managers often hurry to make specific and, in some cases, large and irreversible commitments to sustain the advantage...[whereas] agile firms are not, in general, dependent on such practices...because they know that any competitive advantage is temporary. (p. 29 and 31).

The resource-based view has encountered its share of criticism. For example, the ability of organizations to accurately identify which of their resources were valuable, rare, inimitable, and non-substitutable was found to be not as keen as expected; in addition, the relationships between the levels of resource characteristics and general firm performance appeared to be not as vibrant as first supposed (Arend & Lévesque, 2010). It has also been asserted that insofar as firms with superior performance have their success attributed to possessing one or more resources that fall under the VRIN framework make the conception tautological – the organization is successful because it inherently possesses resources that make organizations successful (Wang & Ahmed, 2007). Finally, criticism has also been centered on how the resource-based view assumes transition from resource to sustainable competitive advantage without adequately exploring the process by which the former aids the latter (Priem & Butler, 2001).

### **Dynamic Capabilities**

Dynamic capabilities are the capacities of the firm to change how it utilizes and creates new uses for resources to better respond to market dynamism. Dynamic capabilities have most often been described as systems or processes that may be distinct to the firm in question (Eisenhardt & Martin, 2000; Teece, 2014; Zollo & Winter, 2002).

Dynamic capabilities can be grouped in a multitude of ways. One of the most common is grouping them into three major clusters: sensing of opportunities and threats within the larger environment (also described as “strategic insight”); seizing the opportunities and/or neutralizing the threats through rallying and shifting resources (also described as “strategic execution”); and the continued renewal of the organization (Birkinshaw et al., 2016; Teece, 2014).

Dynamic capabilities, while an important component of agility, have been critiqued as not necessarily providing sustainable competitive advantage. Although they are typically valuable and relatively rare, the effects of dynamic capabilities are not necessarily inimitable or immovable. According to Eisenhardt (2000), “Equifinality renders inimitability and immobility irrelevant to sustained advantage. That is, firms can gain the same capabilities from many paths, and independent of other firms” (p. 1,110). Furthermore, while dynamic capabilities typically differ across firms in their key and salient characteristics, they typically entail common features that are understood to be effective by organizations working in a shared industry.

### **Agility**

Agility can be thought of as either the result of utilizing dynamic capabilities or as a dynamic capability itself (Eisenhardt & Martin, 2000; Kogut & Zander, 1992; Mason, 2010; Teece et al., 2016). First labelled “flexibility”, it was defined by Stigler (1939) in terms of the organization’s ability to navigate uncertainty related to demand. In a more modern sense, its’ precise definition is debatable. It has been separately defined as “the capability to make timely, effective, sustained organizational change... a repeatable organizational resource” (Worley et al., 2014, p. 26), while Teece et al. (2016) refer to agility as “the capacity of an organization to efficiently and effectively redeploy/redirect its resources to value creating and value protecting (and capturing) higher-yield activities as internal and external circumstances warrant” (p. 17). The agility of an organization has a direct relationship with its performance. Agility increases a firm’s responsiveness to markets, increasing competitive strength and financial measures as well (Lehn, 2018; Vázquez-Bustelo et al., 2019).

Leadership behaviors have a direct relationship with encouraging agility within the organization. For example, some effective behaviors that have been found to increase how agile the organization is include: encouraging innovative solutions to problems; entrusting employees with a high degree of autonomy and a commensurate amount of responsibility in producing quality outcomes; creating a clear understanding of the organization's mission; and showing a willingness to challenge their own assumptions and the assumptions of the organization writ large (Gagel, 2018).

For as powerful as agility can be, it is also necessary to understand the risks involved. Because agility often entails sacrificing efficiency and encourages redundancy, it can be an expensive solution (Worley et al., 2014). If the market the organization competes in is relatively stable, it may be more profitable to streamline operations. Moreover, the execution of agility, which inherently means managing change, can entail either responding to positive events or negative events, and the skillsets required to manage those two possibilities often diverge. Finally, in certain cases, the effects of tumultuous change can be obviated using financial instruments, rendering agility itself unnecessary (Teece et al., 2016). Despite all of these considerations, agility can prove valuable because the ostensible measure of competitive advantage, price, has expanded to include other dimensions as well:

It could be said that the main issue in the new era of manufacturing management is the ability to cope with unexpected changes, to survive unprecedented threats in the business environment, and to take advantage of changes as opportunities. The emphasis is now on adaptability to changes in the business environment and on

adopting proactive ways of approaching market and customer needs. (Sharifi & Zhang, 2001, p. 773)

## **Conclusion**

This chapter opened by highlighting the growing uncertainty that organizations of all kinds increasingly face, as well as the challenges specifically facing non-profits and think tanks, including shrinking sources of organizational revenue, highlighting the importance of the non-profit sector developing the capacity to pursue discontinuous change. The chapter then examined several perspectives related to increasing the ability of non-profit organizations to develop this capacity: the resource-based view, which holds that organizations are in effect their resource bundles and that competitive advantage is created by possession of valuable and rare resources; the dynamic capabilities perspective, which prioritizes creating new, and repurposes uses for old, resources; finally, agility was explored, which represents the ability of the organization to effectively adjust to the changing environment.

### **Chapter 3: Methods**

The purpose of this study is to answer the following questions:

1. Should non-profit organizations be concerned with agility? To what degree is the donor-owner model thought of as a dynamic capability?
2. What effect does it have on the organization as a whole when funding sources constrain the strategic and actionable pathways of an organization?
3. Is the donor-owner model sustainable and viable?

#### **Research Design**

This study used a qualitative design. In qualitative studies, rich data is gathered, and analysis procedures are used to generate a substantive understanding of the topic (Creswell, 2009). In addition to the qualitative data gathered, there are several questions designed to understand the demographics of those answering. This two-pronged approach to understanding data is important, since there could be correlations between qualitative and quantitative datasets: for example, it is possible that the longer one has been involved with a non-profit organization in a leadership capacity, the more likely they are to believe the donor-owner model of fundraising is critically important.

Participants in this study were volunteers who were interviewed once. The qualitative data gathered included the following questions:

- Whether participants believe that non-profit organizations should be more tactical or more strategic;
- The degree to which they believe donor composition influences the output of a non-profit organization;

- What participants believe is the most advantageous donor composition for a think tank;
- What they believe the dynamic capabilities of the organization;
- To what degree they believe that those dynamic capabilities could be adopted by other think tanks;
- To what degree do limited kinds of funding impact a non-profits ability to respond to environmental changes;
- What effect they believe it has on the culture of an organization when funding sources constrain what a non-profit organization can do;
- To what degree they believe the donor-owner model of development is a sustainable trend in non-profit funding;
- Finally, under what circumstances, if any, could they see the donor-owner fundraising as being inappropriate for a think tank?

Quantitative data gathered included asking participants how long they have been involved with the sample organization and to what degree and for how long they have been involved with other non-profits or think tanks. This list of questions was designed with the intention of gathering a large amount of data and to understand the possible interconnections between answers to one question with those of another question.

### **Participants**

15 board members, current employees, former employees, and contractors were interviewed. Participants were sought using the convenience sampling method, in which one utilizes their network to identify possible participants (Miles & Huberman, 1994).



Those who expressed interest were sent an informed consent form which, after it was signed and sent back, initiated the interview process.

The only requirement of participants was that they were currently or had recently been involved with the organization. Former employees were considered for interviews if they had been employed by the organization within the last 12 months of being interviewed. This timeframe was selected due to the amount of change undergone at the organization.

These four categories were selected due to the possibility of obtaining dimensional opinions by comparing the answers of groups against those of other groups. By the end of the research study, three current employees, four board members, five contractors, and three former employees were interviewed.

### **Voluntariness and Confidentiality**

Participants were informed about the intent and time requirements of the study. The participant's consent was documented using the consent form located in the appendices. Individuals were also told that they could leave or cancel the interview at any time with no repercussions.

Participants were again informed that their participation in this study is confidential. This confidentiality includes not only their agreement to take part in being interviewed, but also anything that they share over the course of the interview. No hard copies of the data were produced, and the electronic files containing the real names associated with interview answers were password-protected on the researcher's computer. This file was deleted upon completion of the study. Deidentified data will be kept for five years to aid in any further research. Data was collected through interviews (Appendix A).

## **Data Analysis**

Notes were taken during interviews. This data was then analyzed to draw out themes. These themes were analyzed using both coding and connecting strategies (Maxwell, QRD). This strategy was chosen to not only draw out similarities but also understand the influence of some factors on others.

The data derived from the interviews were read over multiple times to understand both the range and nature of the data presented by participants. Types of answers arising from each question were identified, and then sorted into categories with other similar answers. There are several interview questions that allow for more than one answer; where this occurs, each statement was coded separately. Once the sorting process was completed, the percentage of participants responding in each theme was calculated. Finally, an independent reviewer looked over the de-identified raw and themed data to ascertain the reasonableness and appropriateness of the codes generated. Where there were discrepancies between how the original and subsequent coding treated answers, the researcher and independent reviewer discussed and agreed how to proceed to maintain the integrity of the analysis and study as a whole.

The quantitative data gathered through the research project consisted of two questions: one asking respondents how long they have been involved in any capacity at the studied organization, and the other asking how long they have been involved in any capacity in the non-profit sector as a whole. These answers, as the next chapter will outline, were used to contextualize the answers given by research participants and add dimensionality to the themes identified.

**Summary**

This study used a mixed methods research design. 15 board members, current employees, former employees, and contractors participated in interviews to establish the effect of donor composition on think tank agility. The data gleaned from these interviews were analyzed using coding and connecting strategies. The next chapter outlines the findings of the analyzed data.

## Chapter 4: Results

The purpose of this study was to explore the suitability and sustainability for the donor-owner development and fundraising model within non-profit organizations and especially think-tanks. The questions this research intended to explore were:

1. Should non-profits be concerned with agility? To what degree is the donor-owner model thought of as a dynamic capability?
2. What effect does it have on the organization as a whole when funding sources constrain the strategic and actionable pathways of an organization?
3. Is the donor-owner model sustainable and viable?

This chapter reports the results of the study. A profile of the participants is presented first. Summated and categorized interview data for each question is then presented, including how long participants have had an active role in the non-profit sector, participants beliefs about the longevity of the removed nature of many non-profits, donor composition and its effect on think tanks, the effect of limited funding streams on the non-profit, and the appropriateness of the donor-owner development and funding model. The chapter closes with a summary.

### **Participant Profile**

12 men and three women comprised the population of this study (Table 1). Approximately equal numbers of participants were current employees, former employees, contractors, or board members of the organization. The majority had experience working with other non-profits for at least ten years and have been with the organization studied for at least two years.

**Table 1**  
***Demographics of Interview Subject Population***

Demographic Characteristic	N	%
Gender		
Female	3	20.00%
Male	12	80.00%
Role within the Organization		
Employee	3	20.00%
Former Employee	3	20.00%
Contractor	5	33.33%
Board Member	4	26.67%
Length of Time Involved in NPO's		
0 - 4 years	3	20.00%
5 - 9 years	3	20.00%
10 - 14 years	2	13.33%
15 - 19 years	1	6.67%
20+ years	6	40.00%
Length of Time Involved in the studied organization		
0 - 1 years	5	33.33%
2 - 3 years	3	20.00%
3+ years	7	46.67%

## Subject Groupings

This research is filtered through the lens of several categories to glean insights: Those who have served in other non-profit organizations for more than the median number of years across the population, and those who have served less; former employees and contractors will be contrasted with current employees and board members; finally, those who represent the leadership of the organization, including an individual classified as an employee, and those who do not. This research is intended to explore what effect the length of service with other non-profit organizations might have on answers, as well as exploring the effect of buy-in on answers. For instance, it seems reasonable to believe that former employees and contractors have less reliance on the funding model being effective than current employees and board members, and thus may feel like they are able to be more honest regarding their feelings for the organization (Table 2).

**Table 2**

***Subgroupings of Participant Population***

<b>Group Characteristics</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	8	53%
More than 10 years of non-profit service	7	47%
Organizational insiders	7	47%
Organizational outsiders	8	53%
Leaders	5	33%
Followers	10	67%

Some of the interview questions allowed the possibility for more than one answer. When participants provided multiple answers to the same question, each response was

coded appropriately and separately from other responses they may have given. Therefore, several sections will have more than 15 results.

### **Research Question 1**

The overall answer to the question of whether think tanks should even concern themselves with long-term concerns, short-term concerns, or a combination thereof, generated substantial disagreement amongst the surveyed groups. Most notably, 57% of organizational insiders and 63% of organizational outsiders believed that non-profits should be concerned with both tactical and strategic concerns and that non-profits should primarily focus on tactical considerations, respectively. Regarding dynamic capabilities, the donor-owner model was rarely mentioned. Instead, all groups contended that vision beyond political fights is what enables the organization to succeed. Finally, 60% of respondents believe that the dynamic capabilities exhibited by the studied organization would either require investment to be adopted by other organizations, or that such transfer was unlikely.

One respondent in a leadership position stated that an organization cannot keep a strategic focus forever, and even questioned “why would you want to?” Those who have served 10 years or less at other non-profit organizations for the most part either answered that non-profit organizations should be either more tactical than strategic or that organizations need to focus on both. 50% of participants who have served for more than 10 years stated that it depends on the mission of the organization. The remaining answers were evenly split between recognizing that tactical considerations are more important than strategic considerations or that an organization needs to pursue a balance between both (Table 3).

**Table 3**  
*Median Length of Service Subgroup – Tactical vs. Strategic*

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	8	100%
Organizations should balance both	3	38%
Organizations should favor tactical considerations	3	38%
It depends on the organization	1	13%
Organizations should favor strategic considerations	1	13%
More than 10 years of non-profit service	7	100%
Organizations should balance both	2	29%
Organizations should favor tactical considerations	2	29%
It depends on the organization	3	43%

Organizational insiders were more likely to say that non-profits ought to balance both tactical and strategic concerns, while outsiders were more likely to say that non-profits should be more focused on tactical considerations than anything else. In both groups, answering that the right balance is dependent on the organization being examined was uncommon (Table 4).

**Table 4**  
*Insiders and Outsiders Subgroup – Tactical vs. Strategic*

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	7	100%
Organizations should balance both	4	57%
It depends on the organization	2	29%
Organizations should favor tactical considerations	1	14%
Organizational outsiders	8	100%
Organizations should favor tactical considerations	5	63%
Organizations should balance both	2	25%
It depends on the organization	1	13%
Organizations should favor strategic considerations	1	13%



Leaders of the organization were more likely to recognize the importance of balancing both strategic and tactical considerations than followers (Table 5).

**Table 5**

*Leaders and Followers – Tactical vs. Strategic*

<b>Leaders and Followers</b>	<b>N</b>	<b>%</b>
Leaders	5	100%
Organizations should balance both	3	60%
Organizations should favor tactical considerations	1	20%
It depends on the organization	1	20%
Followers	10	100%
Organizations should favor tactical considerations	4	40%
It depends on the organization	3	30%
Organizations should balance both	2	20%
Organizations should favor strategic considerations	1	10%

### **Dynamic Capabilities**

Because this section of the interview asked respondents to consider one or two different organizational capabilities, there are more responses than respondents in each respective category. Each response was coded separately where appropriate. Honest vision, which, based on the answers given, encompasses non-partisanship, intellectual curiosity, and harnessing a compelling and resonant vision, was the most popular choice as a dynamic capability across all sub-groups. Participants who have served in other non-profits for more than 10 years were more likely to state that the staff and governance structure of the organization is a dynamic capability than those who have served for 10 or less years: 31% compared to 7%, respectively.

**Table 6*****Median Length of Service Subgroup – Dynamic Capabilities Utilized***

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	14	100%
Honest Vision	6	43%
Size and youth	4	29%
Flexibility	2	14%
Fundraising efforts	1	7%
Board / staff structure	1	7%
More than 10 years of non-profit service	13	100%
Honest Vision	6	46%
Flexibility	2	15%
Fundraising efforts	1	8%
Board / staff structure	4	31%

Organizational insiders were more likely to highlight two specific capabilities: honest vision and the board and staff structure. Organizational outsiders were much more varied in what they considered the strengths of the organization (Table 7).

**Table 7*****Insiders and Outsiders Subgroup – Dynamic Capabilities Utilized***

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	12	100%
Honest Vision	7	58%
Board / staff structure	3	25%
Fundraising efforts	1	8%
Size and youth	1	8%
Organizational outsiders	15	100%
Honest Vision	5	33%
Flexibility	4	27%
Size and youth	3	20%
Board / staff structure	2	13%
Fundraising efforts	1	7%

Leaders were more likely to assert that the staff and leadership structure of the organization is a dynamic capability of the organization, while followers were more likely to say that the youth and flexibility of the organization were powerful factors in its success. Both groups were unlikely to mention the fundraising strategy as a dynamic capability (Table 8).

**Table 8**

*Leaders and Followers – Dynamic Capabilities Utilized*

<b>Leaders and Followers</b>	<b>N</b>	<b>%</b>
Leaders	8	100%
Honest Vision	4	50%
Board / staff structure	3	38%
Fundraising efforts	1	13%
Followers	19	100%
Honest Vision	8	42%
Size and youth	4	21%
Flexibility	4	21%
Board / staff structure	2	11%
Fundraising efforts	1	5%

Participants who have served 10 or fewer years in a non-profit organization were more likely to believe that the dynamic capabilities of the organization were, perhaps with difficulty, transferrable to other organizations than those who had more than 10 years of experience: 63% to 29%, respectively. In addition, individuals who had served 10 or less years were the only ones who answered that such adoption by other organizations would be easy; conversely, the only answer that such adoption would be impossible came from an individual who had served more than the median number of years (Table 9).

**Table 9*****Median Length of Service Subgroup – Transferability of Dynamic Capabilities Utilized***

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	8	100%
Doable but takes investment	5	63%
Easily done	2	25%
Unlikely	1	13%
More than 10 years of non-profit service	7	100%
Unlikely	4	57%
Doable but takes investment	2	29%
Impossible	1	14%

Organizational insiders and outsiders were relatively similar in how easily they thought other organizations could adopt these dynamic capabilities (Table 10).

**Table 10*****Insiders and Outsiders Subgroup – Transferability of Dynamic Capabilities Utilized***

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	7	100%
Doable but takes investment	3	43%
Easily done	3	43%
Unlikely	1	14%
Organizational outsiders	8	100%
Doable but takes investment	4	50%
Unlikely	2	25%
Easily done	1	13%
Impossible	1	13%

Leaders and followers were also similar in how they answered the question (Table 11).

**Table 11*****Leaders and Followers Subgroup – Transferability of Dynamic Capabilities Utilized***

<b>Leaders and Followers</b>	<b>N</b>	<b>%</b>
Leaders	5	100%
Doable but takes investment	3	60%
Unlikely	2	40%
Followers	10	100%
Doable but takes investment	4	40%
Unlikely	3	30%
Easily done	2	20%
Impossible	1	10%

**Research Question 2**

14 of 15 participants interviewed agreed that there was at least some impact resulting from donor composition. Despite this clarity, seven respondents believed that non-profits should focus on one donor class or another, while five respondents believed that non-profits should diversify funding streams. Of the 17 responses to the question “To what degree do limited funding streams impact an organizations ability to respond to environmental changes?”, seven answers indicated that such a funding strategy limits the ability of the organization to survive and adapt; six of the 17 indicated that such a model creates too much reliance on donors. When participants were asked the effects on an organization’s internal culture when such a funding model was put in place, seven of the 15 respondents believed that it could decrease morale within the organization, while another five believed that it limits the ability of the non-profit organization to get things done. Of the respondents who said that donor composition has a large impact on the output of a non-profit, six individuals made special mention of what those impacts, or conditions that may exacerbate them, might look like, such as:

1. Gifts coming with conditions, such as endowments.
2. The need to ensure the organization's tactics are consistent with its vision, lest the organization lose the donor.
3. The ability of the chief executive officer to manage conflicting donors.
4. The differences in primary aims between corporate and individual donors, and how that may affect their respective choice to donate.
5. The output strategy for an organization dependent on individual donors, and how it requires constant touch-points, especially for issues based around fear. This was referred to as the red-meat strategy.

75% of participants who served at other non-profit organizations for 10 years or less identified a large degree of impact resulting from donor composition. In contrast, only 43% of participants who have served at other non-profit organizations for more than 10 years would concur (Table 12).

**Table 12**

***Median Length of Service Subgroup – Degree of Donor Composition Impact***

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	8	100%
Large impact from donor composition	6	75%
Substantive impact	2	25%
More than 10 years of non-profit service	7	100%
Substantive impact	4	57%
Large impact from donor composition	3	43%

Organizational insiders and outsiders answered in similar ways: both groups agreed that donor composition has a large impact on the organization (Table 13).

**Table 13*****Insiders and Outsiders Subgroup – Degree of Donor Composition Impact***

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	7	100%
Large impact from donor composition	4	57%
Substantive impact	3	43%
Organizational outsiders	8	100%
Large impact from donor composition	5	63%
Substantive impact	3	38%

Leaders and followers were roughly similar in terms of how they viewed the impact of the donor composition on the organization (Table 14).

**Table 14*****Leaders and Followers Subgroup – Degree of Donor Composition Impact***

<b>Leaders and Followers</b>	<b>N</b>	<b>%</b>
Leaders	5	100%
Substantive impact	3	60%
Large impact from donor composition	2	40%
Followers	10	100%
Large impact from donor composition	7	70%
Substantive impact	3	30%

Board members were evenly split between wanting a broad base of support and significant reliance on one donor class over the others. There was little difference in responses between participants who have served at non-profit organizations for 10 or fewer years and those who have served for more than 10 years. The response category “Other” indicated donor characteristics without mentioning their economic position. For example, some respondents stressed the importance of acquiring donors who are

intellectually curious or who “want to get stuff done”, either of which could describe a corporate, individual, or foundational donor (Table 15).

**Table 15**

*Median Length of Service Subgroup – Ideal Donor Composition*

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	8	100%
Weighted towards one class or the other	4	50%
Diversified mix of support sources	3	38%
Other	1	13%
More than 10 years of non-profit service	7	100%
Diversified mix of support sources	3	43%
Weighted towards one class or the other	2	29%
Other	2	29%

Interestingly, all three “other” responses, explained above, were organizational outsiders. When categorized by their relationship to the organization examined, outsiders and insiders had slightly different answers (Table 16).

**Table 16**

*Insiders and Outsiders Subgroup – Ideal Donor Composition*

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	7	100%
Weighted towards one class or another	4	57%
Diversified mix of support sources	3	43%
Organizational outsiders	8	100%
Weighted towards one class or another	3	38%
Other	3	38%
Diversified mix of support sources	2	25%



Both leaders and followers expressed support for relying heavily on one type of donor class than another (Table 17).

**Table 17**

*Leaders and Followers Subgroup – Ideal Donor Composition*

<b>Leaders and Followers</b>	<b>N</b>	<b>%</b>
Leaders	5	100%
Weighted towards one class or the other	3	60%
Diversified mix of support sources	2	40%
Followers	10	100%
Weighted towards one class or the other	4	40%
Diversified mix of support sources	3	30%
Other	3	30%

In response to how limited funding streams can impact a non-profit organization, some participants made multiple points, which were coded separately as appropriate. This is why there were more responses than respondents. Those who served more than the median number of years in the non-profit sector and those who had served less demonstrated similar beliefs. Both groups articulated that limited sources of revenue could either impact the ability of the non-profit to adapt and survive or might create too much reliance on large-dollar donors (Table 18).

**Table 18*****Median Length of Service Subgroup – Organizational Effect of Limited Sources of Revenue***

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	10	100%
Limits the ability of the organization to adapt	5	50%
Creates too much reliance on donors	3	30%
Has no impact	1	10%
Has a positive impact	1	10%
More than 10 years of non-profit service	7	100%
Limits the ability of the organization to adapt	3	43%
Creates too much reliance on donors	3	43%
Has no impact	1	14%

Organizational outsiders were about twice as likely to say that limited sources of funding can create too much reliance on donors than organizational insiders. Both groups articulated the possibility that such a funding model can limit the ability of the non-profit organization to adapt (Table 19).

**Table 19*****Insiders and Outsiders Subgroup – Organizational Effect of Limited Sources of Revenue***

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	9	100%
Limits the ability of the organization to adapt	5	56%
Creates too much reliance on donors	2	22%
Has no impact	1	11%
Has a positive impact	1	11%
Organizational outsiders	8	100%
Creates too much reliance on donors	4	44%
Limits the ability of the organization to adapt	3	38%
Has no impact	1	13%

Leaders mentioned that limited sources of revenue can have the effect of limiting what the organization can, how agilely it can respond to market events, while followers mentioned how it can invite greater, and in many cases, inappropriate involvement from the donor (Table 20).

**Table 20**

***Leaders and Followers – Organizational Effect of Limited Sources of Revenue***

<b>Leaders and Followers</b>	<b>N</b>	<b>%</b>
Leaders	7	100%
Limits the ability of the organization to adapt	3	43%
Creates too much reliance on donors	2	29%
Has no impact	1	14%
Has a positive impact	1	14%
Followers	10	100%
Creates too much reliance on donors	5	50%
Limits the ability of the organization to adapt	4	40%
Has no impact	1	10%

When asked how limited revenue streams could impact the culture of an organization, 47% stated that it decreases morale / increases frustration. 33% stated that it limits the ability of a non-profit organization to complete missional goals and tasks. Interestingly, two individuals stated that limited funding streams actually help the organizational culture by preventing mission creep. Participants who served more than the median number of years in the non-profit sector were more likely to state that they believe one of the primary effects of limited funding streams on non-profits to be demoralizing than those who served fewer than the median: 57% compared to 38%, respectively. Two responses that indicated a positive effect of limiting funding streams,

namely, prevention of mission creep, were brought forward by two individuals who have served less than the median time within a non-profit (Table 21).

**Table 21**

***Median Length of Service Subgroup – Cultural Effect of Limited Sources of Revenue***

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	8	100%
Decreases morale / increases frustration	3	38%
Limits the ability to accomplish objectives	3	38%
Prevents mission creep	2	25%
More than 10 years of non-profit service	7	100%
Decreases morale / increases frustration	4	57%
Limits the ability to accomplish objectives	2	29%
No effect	1	14%

Organization insiders and outsiders were remarkably consistent in their views (Table 22).

**Table 22**

***Insiders and Outsiders Subgroup – Cultural Effect of Limited Sources of Revenue***

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	7	100%
Decreases morale / increases frustration	3	43%
Limits the ability to accomplish objectives	2	29%
Prevents mission creep	1	14%
No effect	1	13%
Organizational outsiders	8	100%
Decreases morale / increases frustration	4	50%
Limits the ability to accomplish objectives	3	38%
Prevents mission creep	1	13%

Again, leaders and followers had divergent answers that seem to relate to their position within the organization. Leaders, or those who see the organization from the outside in, stated that the effect of limited sources of funding on the culture of the organization is that it can be harder to accomplish objectives, while followers mostly asserted that such a funding model can lead to decreased morale in the organization.

**Table 23**

***Leaders and Followers Subgroup – Cultural Effect of Limited Sources of Revenue***

<b>Leaders and Followers</b>	<b>N</b>	<b>%</b>
Leaders	5	100%
Limits the ability to accomplish objectives	2	40%
Decreases morale / increases frustration	1	20%
Prevents mission creep	1	20%
No effect	1	20%
Followers	10	100%
Decreases morale / increases frustration	6	60%
Limits the ability to accomplish objectives	3	30%
Prevents mission creep	1	10%

**Research Question 3**

When asked about the sustainability of the donor-owner or donor-advised model, 66% of respondents said that the model is conditionally sustainable. Some of the conditions mentioned revolved around donor relationships and the size of the donor pool, the necessity of non-profits to realize their purpose and then shut down, and the effect of a relatively limited donor pool, as well as the effect on the organization when those donors leave. Board members, current employees, and contractors all gave varied answers with little to indicate trends. Former employees, however, all contended that the success of the model is conditional at best. Regarding the appropriateness of the funding

model, especially for non-profits that require a patina of independence, such as think tanks, there was a wide spectrum of beliefs.

Participants who served less than the median amount of time stressed the importance of donor management in donor-advised funding sustainability more often than those who served more than 10 years: 50% versus 14%, respectively. Those who served longer were the only ones who mentioned the importance of avoiding a perpetual mission. They were also the only participants who postulated that the model is temporary. Those who have served fewer than 10 years were the only ones who stated that the model is "the future" or "the best and only way" (Table 24).

**Table 24**

***Median Length of Service Subgroup – Sustainability of Donor-Owner Model***

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	8	100%
Sustainable with sound donor management	4	50%
The sustainability is dubious	2	25%
The future of donor development	2	25%
More than 10 years of non-profit service	7	100%
Ebbs and flows	2	29%
Sustainable if organizations are not perpetual	2	29%
Sustainable with sound donor management	1	14%
The sustainability is dubious	1	14%
Unknown	1	14%

Organizational insiders were much more divided about the longevity of the donor-advised funding model than outsiders. Outsiders were also much more to assert the importance of donor management as it relates to the sustainability of the model (Table 25).

Table 25

*Insiders and Outsiders Subgroup – Sustainability of Donor-Owner Model*

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	7	100%
The future of donor development	2	29%
Sustainable if organizations are not perpetual	1	14%
Sustainable with sound donor management	1	14%
The sustainability is dubious	1	14%
Unknown	1	14%
Ebbs and flows	1	14%
Organizational outsiders	8	100%
Sustainable with sound donor management	4	50%
The sustainability is dubious	2	25%
Sustainable if organizations are not perpetual	1	13%
Ebbs and flows	1	13%

When leaders were asked about the possible longevity of the donor-advised funding model, they were optimistic. Followers, on the other hand, recognized the importance of donor management, as well believing that the sustainability is dubious (Table 26).

**Table 26*****Leaders and Followers Subgroup – Sustainability of Donor-Owner Model***

<b>Leaders and Follows</b>	<b>N</b>	<b>%</b>
Leaders	5	100%
The future of donor development	2	40%
Sustainable if organizations are not perpetual	1	20%
Unknown	1	20%
Ebbs and flows	1	20%
Followers	10	100%
Sustainable with sound donor management	5	50%
The sustainability is dubious	3	30%
Sustainable if organizations are not perpetual	1	10%
Ebbs and flows	1	10%

When asked about the appropriateness of the donor model for a think-tank, some participants made multiple points, which were coded separately as appropriate. This is why there more responses than respondents. Participants who have served in other non-profits for longer than the median amount of time were three times more likely to state that the donor-owner model represents no danger of inappropriateness compared to participants who have served less than the median: 38% versus 13%, respectively (Table 27).



Table 27

***Median Length of Service Subgroup – Potential Ethical Issues Related to the Donor-Owner Model***

<b>Median Length of Service Group</b>	<b>N</b>	<b>%</b>
Less than or equal to 10 years of non-profit service	8	100%
When it serves the interests of the few	4	50%
When it presents issues related to funding capacity	2	25%
When the donor gets too involved	1	13%
Never inappropriate in and of itself	1	13%
More than 10 years of non-profit service	8	100%
When it serves the interests of the few	3	38%
Never inappropriate in and of itself	3	38%
When the donor gets too involved	2	25%

Organizational insiders were the only respondents who said that the model could never be inappropriate for a think tank. Outsiders commonly posited that the model presents a danger of donors getting too involved in day to day operations, and both groups had at least strong pluralities that indicated that the model could be inappropriate if it supported an organization that supports the interests of a select group of people, whether those are donors, constituents, or another interested party: that is, these organizations ought to exist for the benefit of the public at large (Table 28).

**Table 28*****Insider and Outsiders Subgroup - Potential Ethical Issues Related to the Donor-Owner Model***

<b>Organizational Insiders and Outsiders</b>	<b>N</b>	<b>%</b>
Organizational insiders	7	100%
Never inappropriate in and of itself	4	57%
When it serves the interests of the few	2	29%
When it presents issues related to funding capacity	1	14%
Organizational outsiders	9	100%
When it serves the interests of the few	5	56%
When the donor gets too involved	3	33%
When it presents issues related to funding capacity	1	11%

Leaders of the organization were more likely to state that the donor-owner model could never be inappropriate for an organization on its own. They were also less likely to believe that the model could lead to serving the interests of large-dollar donors. Followers were also more likely to believe that the model could lead to donors getting too involved with the day to day operations of the organization (Table 29).

**Table 29*****Leaders and Followers - Potential Ethical Issues Related to the Donor-Owner Model***

<b>Leaders and Follows</b>	<b>N</b>	<b>%</b>
Leaders	5	100%
Never inappropriate in and of itself	3	60%
When it serves the interests of the few	1	20%
When it presents issues related to funding capacity	1	20%
Followers	11	100%
When it serves the interests of the few	6	55%
When the donor gets too involved	3	27%
When it presents issues related to funding capacity	1	9%
Never inappropriate in and of itself	1	9%

**Inter-Rater Reliability**

The codes generated to analyze interview responses have been examined by an independent researcher to ensure the appropriateness of the analysis. Where there were disagreements between what the author and independent coder believed, these differing points of view were discussed and settled.

**Summary**

12 men and three women were interviewed for this study. Their position within the organization ranged from current employees to former employees to board members to contractors. Their answers varied widely, except in a few key areas:

- Those who had served more than the median number of years in other non-profits were more likely to believe that the specifics of the organization should dictate the tactical considerations relative to strategic ones. Organizational insiders were more likely to say that both considerations are important, while outsiders

primarily believed that tactical concerns are key. Leaders were likely to say that organizations should either balance both or that it depends on the organization, while a plurality of followers believed that tactical considerations were more important.

- Those who had served more than the median number of years were more likely to believe that donor composition creates a material impact on the organization, but not a large one. Those who had served less than the median number of years were more likely to believe that donor composition has a large impact on the organization.
- Despite the agreement amongst most of the subgroups regarding the impact of donor composition, most groups also believed that a funding strategy reliant on one donor class or another was the most advantageous for non-profit organizations. The only sub-grouping that had a diversified funding base as the most popular choice was for those who had served more than ten years in the non-profit sector.
- Regarding the dynamic capabilities of the organization, honest vision was seen as the most important component that enables success across sub-groups. Interestingly, the funding model was only brought up once.
- Those who served more and less than the median number of years in the non-profit sector were divided regarding how easily other non-profits could adopt the listed dynamic capabilities, with those who have served less time more optimistic about transferability.

- Despite the desire for reliance on a limited set of donor groups that sub-groups related previously, the majority of individuals in every single group believed that such reliance can either create too much reliance on donors or limits the ability of the organization to adapt. They also overwhelmingly believed that such reliance has a negative impact on the culture of an organization, including limiting the ability to meet internal objectives and decreasing morale.
- Regarding the sustainability of the donor-owner model, organizational insiders were divided, with the top choice being brought up only twice. Outsiders were relatively optimistic, agreeing that the model can be long-lived with sound donor management. Leaders were also relatively optimistic about the model, while followers were more likely to say that the model is dubiously sustainable. Participants who served less than the median amount of time stressed the importance of donor management in donor-owner sustainability three times more often than those who served more than 10 years. Those who served longer were the only ones who mentioned the importance of avoiding a perpetual mission and who believed that the model is temporary. Those who have served fewer than ten years were the only ones who stated that the model is "the future" or "the best and only way".
- Related to the ethical implications of the funding model for a think tank, those who had served in the non-profit sector for more than 10 years were more likely to say that the model could never be inappropriate in and of itself: those who had served 10 or fewer years asserted that it could potentially serve the needs of the few while maintaining the guise of a public organization; allow the donor to have

an inappropriate amount of control on the day-to-day operations of the organization; or may present issues related to funding. Organizational insiders were also likely to believe the model could never be inappropriate, while outsiders postulated otherwise. Finally, leaders of the organization were overwhelmingly of the opinion that the model could never be inappropriate.

## Chapter 5: Discussion

### Overview

As noted previously, this research served to explore several interrelated questions regarding non-profit organizations:

1. Should non-profit organizations be concerned with agility? To what degree is the donor-owner model thought of as a dynamic capability?
2. What effect does it have on the organization as a whole when funding sources constrain the strategic and actionable pathways of an organization?
3. Is the donor-owner model sustainable and viable?

The rest of the chapter will discuss the findings presented in the preceding chapter. The chapter then summarizes the limitations of this study, advances to recommending future areas of research, and concludes with a summary.

### Discussion

Regarding Research Question 1, how much engagement a non-profit organization should have with the external environment is an interesting one and, considering the diversity of responses encountered in the interviews, a pressing one as well. Those who had served longer in the sector than the median were more likely to press for tactical considerations; that is to say, they were more likely to believe that more engagement is critical. Because there was a diversity of viewpoints in all levels of the organization, there is also the possibility of mismatched expectations and desires. Insiders were more likely to say that both considerations are important, while outsiders primarily believed that tactical concerns are key. Leaders were likely to say that organizations should either balance both or that it depends on the organization, while a plurality of followers

believed that tactical considerations were more important. These are substantive variances that could affect the objective-setting capacity of the organization.

Added to this diversity, the macro-movements of the industry itself makes alignment on this matter even more important. The utility of non-profit organizations, to include think tanks, that do not engage publicly with issues is seemingly threatened by donors who increasingly desire to see a stronger return on investment (Peng, 2018). There are many varieties of charitable impact, and due to the trans-organizational strategy, think tanks can have associated c6 and c4 vehicles within their portfolio to increase the options available to the donor base, such as, for instance, utilizing a c4 organization to apply their philanthropic dollars toward more overtly political activity.

As donors shift to desiring stronger impact and, in the words of some respondents in this research, a mission that is not "perpetual" but with a definite endpoint with obvious progress made, there could be some critical balance to be achieved between the demands of strategic and tactical thought within the same organization. Non-profit organizations may need to recognize that developing and maintaining both of these capabilities are important for their long-term survival. The funding model was only mentioned once as a dynamic capability of the organization, indicating that it is not perceived as a critical strength of the organization.

Regarding Research Question 2, most participants in this study believed that donor composition was important, but yet most groups believed that the ideal donor composition relied heavily on one donor class or another. Participants also overwhelmingly believed that such a funding strategy could create legitimate problems for the organization. Perhaps the resolution to this paradox involves the relative comfort



with and confidence in the non-profit's ability to manage donor relationships constructively. Regardless of the particular strengths of the studied organization, such dynamics may prove to be challenging to manage in other non-profit organizations, and given the relatively severe consequences of managing the relationship poorly, to include the organization not being able to function or dealing with increasing internal frustration, non-profit organizations may be well-advised to create and sustain a well-diversified set of revenue streams that do not allow any one donor, or cluster of donors, to have more than a material impact on the financial condition of the organization.

Participants who served more than the median number years in the non-profit sector and those who served less were more likely to believe that donor composition has a material impact on the organization or a large impact on the organization. Perhaps this is due to differences in experience between the two categories: those who have served longer in the field have seen more severe funding droughts, and therefore their definition of what constitutes a "large" impact on organizations has subsequently shifted. By definition, those who have served less don't yet have that sort of experience, and so the relative shifts of funding levels every now and then seem catastrophic. Interestingly, the only grouping that strongly believed that a diversified set of funders would be ideal were those who had served more than the median number of years in the sector.

Also, according to respondents, the types of donors that a non-profit organization goes after will certainly affect how that organization functions over time. Donor selection and acquisition is therefore a strategic activity since it affects the long-term health and well-being of the non-profit. The timing of giving, purposes for giving, desired outcomes, expectation of input (and more), can shift from donor class to donor class, and can even

vary within each class. These interview results seem to indicate that, insofar as the organization may be conceptualized as bundles of capabilities (Eisenhardt & Martin, 2000), the actions of one 'bundle', such as donor development, may in fact exert tremendous leverage on other 'bundles', such as objective accomplishment and mission. Thus, what Locket et al. (2009) referred to as path dependency, or the likelihood that "activities of the firm will lead to the development of resources over time" (p. 15) was confirmed by first-hand witnesses participating in this research project.

Honest vision, which for the purposes of this research was defined as a good-faith, intellectually curious, and humble approach to vision was seen as an important capability of the organization. The dynamic capability of honest vision seems most aligned with both strategic insight and the continued renewal of the organization (Birkinshaw et al., 2016; Teece, 2014). Although a seeming lack of engagement with and response to the external environment may seem like the opposite of a dynamic capability in that it moves the organization even further from market movements, it may be a benefit with a specific constituency of funders interested in making a difference. That is, it proved to be a request of the market for the studied organization and thus brought the non-profit closer to what the market demanded. Thus, in this paradoxical sense, VRIN resources, if one could classify intellectual honesty as a resource, contributes to dynamism by adhering to principle.

Those who served more and less time than the median number of years in the non-profit sector were divided about the transferability of the dynamic capabilities. Those who had served less time were more optimistic about the prospect of transferability, while those who had served more time were less optimistic. The popular choice for

dynamic capability, honest vision, seems to be behavioral, such as leadership encouraging employees or contractors to voice diverse viewpoints, and thus relatively easy to implement. It is at this point unclear why those with longer careers in the non-profit field believe this factor to be relatively difficult to export, but one possibility may be that is rare in the market: the reasonable-sounding but fallacious assumption that since something is rare, it must be difficult to cultivate may follow.

The organization studied seems to rely on its ability to stay out of petty political fights which would deplete it of resources and relational capital, and thus redirect those resources to opportunities with which it is most aligned. Considering how many participants also singled out the governance structure of the organization, as well as the staffing, and considering the responsibility that the donor-owner model places on executive leadership, the relationship between organizational agility and leadership practices seems clearer: Gagel (2018) mentioned that showing a willingness to challenge one's own assumptions is a primary agility-enabling leadership behavior.

Honest vision is certainly important, but, according to respondents, it takes investment to create and disperse within the organization. If organizations would prefer more intellectual honesty and openness regarding solutions in their field, then it would behoove them to prepare to invest in that.

Regarding Research Question 3, although the donor-owner model may be thought of by certain parties as the future of non-profit organization funding, the funding model presents significant challenges for the organization that must be obviated. The fact that the fundraising capacity of the studied organization only came up as a strength of the organization twice in 27 responses seems to indicate that it is not an intentional strength

of the organization, but rather a choice of model that has worked circumstantially. Despite the relative, and perhaps accidental success of the model, the donor-owner model comes with challenges. Those challenges specifically mentioned indicate that the funding model can reduce morale, agility, and can present significant ethical challenges for the organization. The antidote to these possibilities appears to be strong board leadership on the part of the executive team. The executive must be able to encourage the staff to recognize and discharge anxiety and frustration in a healthy way while casting a vision for the future and appropriately keeping responsibility for day-to-day affairs of the organization away from the board. In addition, the executive must be able to ensure that the requests of board members are not given undue consideration due to their influence while also managing the relationships of those individuals who are also major donors. As a result, non-profit organizations interested in pursuing such a funding strategy should ensure that their executive team has these capabilities before relying on donor-owners, since holding the tension between the previously stated skill-sets may prove difficult.

There can also be ethical implications of the model on which leaders and followers disagree, particularly in the context of a think tank. If a board is primarily composed of large-dollar donors, do they have an incentive to make sure that the organization is not working to enrich, in whatever sense of the word, themselves? The fact that so few leaders thought this would ever happen seems to indicate a willful belief on their part, especially when compared with the followers who overwhelmingly believed that such an arrangement could serve as a breeding ground for such behavior, at least theoretically.

Finally, there was also a critical lack of consensus regarding the sustainability of the donor-owner model. Regardless of whether the executive may be able to obviate the negative effects of the model within their organization or with their primary donors, large-scale trends in the non-profit market may be harder to negate or overcome. In that case, the organization may find itself in a position where its funding model does not make sense and changing to a different model difficult. For example, appealing to a large set of small-dollar donors requires a communication strategy of some sort, while large-dollar donors are relationally attracted and maintained by the organization. Should revenue streams start to dry up, it could be difficult for the organization to invest in a communications strategy, to say nothing of the perceived value of the organization in the eyes of small-dollar donors that has not courted them before. Especially considering the uncertainty (Janeway, 2012) related to the non-profit sector, it is possible that this funding model could be categorized as "doing things right", not "doing the right thing" (Teece, 2016).

Organizational insiders were divided about the sustainability of the model, while outsiders believed the model can persist with sound donor management. In addition, leaders were relatively optimistic about the model, while followers were not. Perhaps the uniting factor between these data points is a question of who within the network of the organization feels the effect of the donor-owner model when it is not working as idealized. Insiders see the model when it does not work, while contractors are typically not let in to the level of the organization where they can see the negative potential of the model. Similarly, followers may not be involved with the minute discussions that might

accompany donor relationships in the model: they only see the funds received from donors, or the lack thereof.

### **Limitations**

The sample size for this research was relatively small at fifteen participants out of a population of 30. In addition, the subpopulation of each respondent type was too small to reliably calculate the likelihood of a set of responses with a respondent category. For instance, too few board members were interviewed to say conclusively that 75% of all board members would likely feel that the donor-owner model is always appropriate for a think tank. It is also possible that since the lead investigator is a current employee of the organization that respondents edited their responses to ones more favorable to the organization. Finally, since all the respondents either were currently at the time of the interviews or just before related to the organization in some way, it is possible that they adjusted their responses to ones more favorable to the organization. No claim is made as to the universality of the beliefs and opinions below: all findings should be held to be the responses of a small group of people involved with one organization and deserve further investigation.

### **Suggestions for Continued Research**

Additional research could focus on obtaining a larger population to establish statistically significant relationships between respondent category and type of response. Additionally, further research may shed light on the relationship between donor composition and the explicit strategy of the organization, the likelihood of finding executives who can both maintain relationships with high-value donors and board members while also maintaining clear boundaries of responsibility, and how to

specifically target frustration on the part of staff when a lack of funding streams reduces morale. Finally, additional research could focus on culling intellectual honesty within think tanks, the nature of the relationship between honest vision and the ability to respond to environmental changes,

### **Summary**

This study interviewed fifteen individuals at all levels of a charitable, non-profit think tank located in Oklahoma. These participants were asked a series of questions regarding the need for non-profits to engage with their environment, the effect of donor composition on the part of the non-profit, the suitability and sustainability of the donor-owner model, and more. The results of the interviews indicate that engagement will continue to be highly prized by the donor community, that donor composition will almost certainly impact how the organization does what it does, that encouraging and promoting honest vision, or an intellectually curious pragmatism is critically important, and finally that overreliance on one donor pool or another should likely be avoided as much as possible.

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**Appendix A: Interview Questionnaire**

1. What is your relationship to the E Foundation?
2. How long have you been associated with the E Foundation?
3. Have you ever been associated with another non-profit organization (NPO)? If so, please describe briefly the nature of that association and the length of time involved.
4. Should more NPO's be more tactical or more strategic, in your view?
5. How do you believe that the specific kind of donor an NPO goes after affects the organization?
6. What do you believe to be the most advantageous donor composition for a think tank?
7. If you had to distill one or two elements that make E Foundation unique relative to other think tanks in the local market, what would those elements be?
8. To what degree do you believe that these elements could be adopted by another organization?
9. To what degree do limited kinds of funding impact a non-profits ability to respond to environmental changes?
10. What effect do you believe it has on the culture of an organization when funding sources constrain what a NPO can do?
11. To what degree is the donor-owner model of development a sustainable trend in NPO funding?
12. However you would like to define the word, under what circumstances would the owner-donor model be inappropriate for a think tank?

## **Appendix B: Informed Consent Form**

Principal Investigator: Zach Sumner

If you agree to participate in this study, the project will involve:

- Employees, board members, or vendors of the Foundation
- Procedures will include participating in an interview
- The interview will take half an hour total.
- You will not be paid for your participation.
- You will be provided a copy of this consent form.

You are invited to take part in this research study. The information in this form is meant to help you decide whether to participate. If you have any questions, please ask.

Why are you being asked to be in this research study?

You are being asked to be in this study because you are a current employee, former employee, contractor, or board member of the studied organization.

What is the reason for doing this study?

I am interested in how you see the capabilities of this think tank impacted by our funding model.

What will be done during this study?

You will be asked to approximately a dozen questions to ascertain your thoughts on the donor-owner model of funding for non-profit organizations and its effect on the organization's ability to respond to changes in the external environment.

How will my data be used?

Your data will be used to determine trends in impressions across the organization grouped by role. For instance, the common elements what board members believe is the impact of the donor-owner model will be compared with the common elements proposed by employees. Another point of comparison will be those who served with the organization for a long time versus those who have served for not long, and those who have been involved with non-profit organizations before and those who have not.

What are the possible risks of being in this research study?

There are no more than minimal risks associated with this study.

What are the possible benefits to you?

You are not expected to get any benefit from being in this study.

What are the possible benefits to other people?



The benefits to society may include a better understanding of the factors of funding sources that increase organizational effectiveness.

What will being in this research study cost you?

There is no cost to you to be in this research study

Will you be compensated for being in this research study?

No compensation will be provided.

What should you do if you have a problem during this research study?

If you have a problem or experience harm as a direct result of being in this study, you should immediately contact one of the people listed at the beginning of this consent form. If needed, seek immediate emergency care for this problem. Please note, it is the policy of Pepperdine University not to pay for any required care. Agreeing to this does not mean you have given up any of your legal rights.

How will information about you be protected?

Reasonable steps will be taken to protect your privacy and the confidentiality of your study data. The data will be stored in a locked cabinet in the investigator's office and will only be seen by the research team during the study and for 3 years after the study is complete.

The only persons who will have access to your research records are the study personnel, the Institutional Review Board (IRB), and any other person, agency, or sponsor as required by law. The information from this study may be published in scientific journals or presented at scientific meetings but the data will be reported as group or summarized data and your identity will be kept strictly confidential.

What are your rights as a research subject?

You may ask any questions concerning this research and have those questions answered before agreeing to participate in or during the study. For study related questions, please contact the investigator(s) listed at the beginning of this form. For questions concerning your rights or complaints about the research contact the Institutional Review Board (IRB):

Phone: 1(402)472-6965

Email: [gpsirb@pepperdine.edu](mailto:gpsirb@pepperdine.edu)

What will happen if you decide to not be in this research study or decide to stop participating once you start?

You can decide not to be in this research study, or you can stop being in this research study ("withdraw") at any time before, during, or after the research begins for any reason.

Deciding not to be in this research study or deciding to withdraw will not affect your relationship with the investigator or with Pepperdine University. You will not lose any benefits to which you are entitled. If you do not feel comfortable declining to participate directly to the investigator, you may declare your choice to the CEO of the organization who will then inform the investigator.

#### Documentation of Informed Consent

You are voluntarily making a decision whether or not to be in this research study. Signing this form means that (1) you have read and understood this consent form, (2) you have had the consent form explained to you, (3) you have had your questions answered and (4) you have decided to be in the research study. You will be given a copy of this consent form to keep.

Participant Name:

Participant Signature:

Date