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Boundary Spanning:

A Grounded Theory of Sustainability in Canada's Nonprofit Sector

by

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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies for acceptance, a thesis entitled “Boundary Spanning: A Grounded Theory of Sustainability in Canada’s Nonprofit Sector” submitted by Keith E. Seel in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

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ABSTRACT

This research delves into the sustainability of nonprofit organizations in Canada. For the approximately 161,000 nonprofit organizations in Canada, the dominant organizational model is a stand alone agency that competes with others in the nonprofit, public and private sectors for the resources – monetary, human, intellectual – that it needs to operate. Working within a legal framework that goes back over 400 years, the nonprofit sector is at a juncture that will either see transformational change into more sustainable forms or widespread organizational failure. There are many challenges to sustainability in the nonprofit sector. Over half of the country's nonprofit organizations report problems planning for the future and recruiting governance leadership to boards of directors. Just under half have problems obtaining funding. Not being able to attract skilled labor into nonprofit organizations stands as an additional challenge.

Using a grounded theory approach, the study involved a series of focused interviews with senior administrators representing a diverse range of nonprofit organizations. Findings were conceptualized and coded. Seven theoretical categories were developed around the core category of boundary spanning and included: risk, learning organization, sustainability, credibility, relationships, organizational uniqueness and ethics. Links were made to existing theory including: social movement theory, political opportunity theory, social identity theory, self-categorization theory, common-in-group identity model, and the between group helping model. These domains of theory share a concern with how an actor in the form of an individual or an organization, forms its identity and how that actor then interacts with others.

The thesis finds that boundary spanning has the potential of being a fundamental process to ensure sustainability. Boundary spanning refers to the collection of processes and behaviours that allow for exchange cross the boundary of a nonprofit organization. To capture the intentionality of boundary spanning activities towards transformational change, the concept of *metamobilization actors*, is introduced. Combined with the commitment to the creation of ethical action in community by employees,

metamobilization actors could provide Canada's nonprofit sector with new ways of addressing questions of long-term sustainability.

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LIST OF ABBREVIATIONS

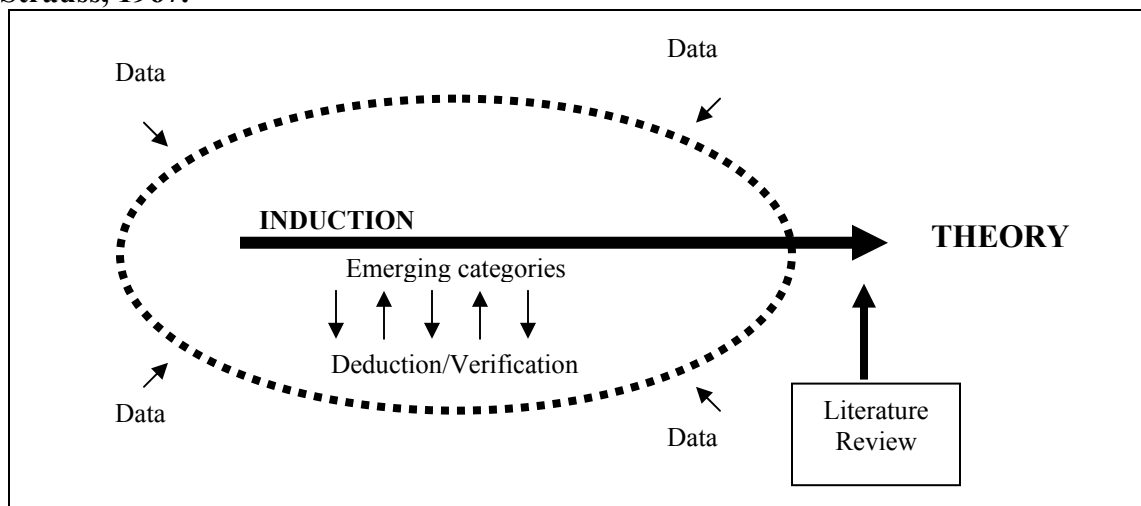
| | |
|-------|---|
| AIMR | Alberta Institute on Mental Retardation |
| CCRA | Canada Customs and Revenue Agency |
| CCVO | Calgary Chamber of Voluntary Organizations |
| CRA | Canada Revenue Agency |
| ITA | Income Tax Act |
| JRT | Joint Regulatory Table |
| NSNVO | National Study of Nonprofit and Voluntary Organizations |
| VSIW | Vancouver Society of Immigrant and Visible Minority Women |

CHAPTER ONE: INTRODUCTION

This thesis explores the sustainability of nonprofit organizations in Canada. The research uses a grounded theory approach to explore the factors that contribute to or detract from a nonprofit organization's ability to be sustainable. As is the case with grounded theory research, this research is oriented towards theory building. Therefore, this thesis suggests a substantial theory (i.e., rooted in data) of sustainability based on the themes that emerged from conversations with senior administrators of nonprofit organizations.

This thesis is organized in a manner reflecting the flow of grounded theory work. Figure 1 shows the basic flow of the grounded theory method. To begin with, the research takes place in context where data is understood to surround the researcher. Past experiences of the researcher sensitize him or her to the situation under consideration. That sensitivity allows the researcher to construct an appropriate research question.

Figure 1: Diagram of Grounded Theory Process as Conceived by Glaser and Strauss, 1967.



Data enters the research through a variety of means. Patterns, questions and possible categories are generated by the research through a predominantly inductive process. Deduction is used to consolidate emerging categories which are verified by

additional data from the field. When saturation is reached, meaning that additional data no longer contributes anything further to the refinement of the categories, the researcher leaves the field. Based on the categories, the researcher is pointed towards specific bodies of knowledge within the literature. At the conclusion of this sequence, a theory is generated. The structure of this thesis follows this general pattern.

The reader is provided with an historical overview of the nonprofit sector in Canada in the second chapter. The information is intended to sensitize the reader to the broad issues surrounding the sustainability of nonprofit organizations. This history is presented before the research questions so that the reader understands the context from which the questions arise. It traces the history of registered charities as an organizational form designed to carry out specific kinds of charitable work in society. With roots in English Common Law, charity in Canada has become associated with taxation legislation. A registered charity is a specific designation applying to roughly 80,000 of the 161,000 nonprofit organizations in Canada. Regulatory control of these organizations rests with the Canada Revenue Agency. The benefits and restrictions of Canada's placement of registered charities under the direct control of the Income Tax Act have a profound impact on how charities and nonprofit organizations approach resource acquisition and allocation as well as their ability to make plans to be sustainable over the long term. It should not come as a surprise that for some, the challenges associated with remaining viable, even in the short term, is a challenge that they cannot overcome. Not all nonprofit organizations are sustainable and those that appear to be so face considerable challenges. The most formidable of these appears to be the capacity to go beyond their own organization's boundaries and establishing relationships with other organizations in the community.

The research questions are presented in the third chapter where they can be seen in terms of context presented in the previous chapter. The third chapter also provides an overview of grounded theory as a research method. Grounded theory is presented as an ideal method for going beyond the largely descriptive quantitative research that populates the literature on nonprofit activity. Grounded theory is particularly useful in situations

where there is an absence of existing theory. By examining nine major concentrations of nonprofit research in the literature – ranging from financial issues to human resource and governance issues – it is shown that the question of sustainability remains unaddressed. Grounded theory provides a way to broaden the conversation that appears centered on organizational effectiveness and efficiency, by generalizing from particular operational issues to look for a more encompassing theory to explain what is observed. In this way, grounded theory work and this research as a particular example, can provide perspective that is broader in its coverage and more long term in its application. A grounded theory must fulfill three general criteria – it must ‘fit’ closely with the topic and disciplinary area studied, the theory must be both understandable and useful to people in the situation studied, and, the theory must be complex enough to account for most or all of the variation in the area studied.

The fourth chapter provides examples of the data encountered during the research and presents the theoretical categories that emerged. Samples of interview texts exemplify the perspectives held by senior administrators regarding the sustainability of his/her organization and of the nonprofit sector as a whole. The constant comparative approach within grounded theory allows for the creation of theoretical categories through inductive and deductive reasoning. This process moves the researcher from the world of practice to theory development. Seven theoretical categories emerge from the data during the application of the constant comparative method of data analysis. The theoretical categories are: risk, learning organization, sustainability, credibility, relationships, organizational uniqueness, and ethics. Examples from the interviews give insight and evidence of how the theory development is grounded in the lived world of senior administrators.

The fifth chapter creates the links between what emerged as theoretical categories in the research and what exists in the broad pool of research literature. This section serves as both a literature review and as a process to situate the emerging theory within other theoretical perspectives. In grounded theory placing the review of literature after the fieldwork is intended to keep the researcher from drawing conclusions about the

answers to the research question before going into the field. The notion of “boundaries” emerges as a concept from the literature that links the theoretical categories developed in the fourth chapter. Existing theory that contributes to understanding sustainability of nonprofit organizations includes social movement theory, social identity theory, self-categorization theory, common in-ground identity model and, the between-group helping model.

The sixth chapter presents a mid-range substantial theory regarding sustainability of nonprofit organizations. The theory suggests that sustainability of nonprofit organizations is contingent on the permeability of the boundary between a charity and the world beyond its walls; whether or not those outside of an organization can become part of a collective “we”; and if the ethical drive individuals have within an organization towards fulfilling social goals can overcome the normative expectations of a nonprofit organization.

The seventh chapter concludes the thesis by discussing limitations to the research, suggesting broader implications of this work and possible future directions for research in this area.

The thesis as a whole represents the highlights of four years of work defining and testing the theoretical categories and the theory itself with organizations in the nonprofit sector in Canada. It is a starting point for inquiry rather than an end. The lively discussions resulting from conversations around sustainability and the meaning of the theoretical categories – especially the core theoretical category: boundaries – should be taken as an indication that there is much more to be done.

CHAPTER TWO: HISTORY OF THE NONPROFIT SECTOR

To understand the origin of restrictions placed on charities in Canada and therefore the options for activity left open to become sustainable within changing economic and social contexts, one needs to review the history of the nonprofit sector. Of particular interest in this historical review are charities registered with the Canada Revenue Agency, so-called “registered charities” – the only class of nonprofit organizations that the courts have focused on.

In Canada, the nonprofit sector evolved from definitions and jurisdictions set out in English Common Law. The answer to the question of what is charitable typically starts with the formulation contained in the Preamble of *The Statute of Uses*, written in 1601 – the reign of Elizabeth I (Drache, 1998, p. 8). There are roots, however, in earlier times. Scott (1940) analyzes the evolution of the notion of charity up to and including *The Statute of Uses* (commonly and hereafter referred to as the “Statute of Elizabeth”). With the institutionalization of the church in medieval England the deeply personal association with Christ’s example of charity changed over time to include a property relation as well. Medieval law began to treat property set aside for eleemosynary (from the Latin *eleemosyna* meaning ‘alms’) purposes in a number of ways. The combination of Christian ideals, Roman precedents, and Common Law, permitted those with wealth to entrust property to churches or other public authorities for charitable purposes. These kinds of donations or endowments formed part of a complicated web of activities that involved the Crown, noble families, the church, municipal bodies, trade guilds, and other largely public entities. This web of activities, the first “social safety net” attended to poverty, dependency and other social needs.

The sixteenth century was a time of political, economic, social, and religious turbulence. England severed ties with the Catholic Church in Rome. Lands and other property of Catholic monasteries were confiscated by the state. The rise of an urban middle class and a landed gentry combined with the dispossession of the peasantry lead

to the disintegration of traditional charity and social welfare. Loch, (1911, in Scott, 1940) noted that,

the ideal of charity had been degraded. A self-regarding system of relief had superceded [sic] charity, and it was productive of nothing but alms, large or small, isolated and unmethodic [sic], given with a wrong bias, and thus almost inevitably with evil results. . . . The larger issues were overlooked. Then the property of the hospitals and the gilds was wantonly confiscated, though the poor had already lost that share in the revenues of the church to which at one time they were admitted to have a just claim. A new beginning had to be made. The obligations of charity had to be revived. A new organization of charitable relief had to be created, and that with an empty exchequer and after a vast waste of charitable resources. There were signs of new congregational and parochial energy, yet the task could not be entrusted to the religious bodies, divided and disunited as they were. In their stead it could be imposed only on some authority which represented the general community, such as municipalities; and in spite of the centralization of the government there seemed some hope of creating a system of relief in connexion [sic] with them.

The Statute of Elizabeth and the Poor Relief Act, both enacted in 1601, represented the formal organization of public and private responsibilities for the poor and dependent. The Poor Relief Act placed the responsibility for administering relief of the poor with municipal authorities. The Statute of Elizabeth brought order to the administration of private charities specifically by detailing the purposes for which property could be given to charity and putting the controls in place to ensure that the property was applied to the uses specified by the donors. This represents the first time that private charities were placed under the supervision of the State and while this supervisory power was delegated to the church, it was the Lord Chancellor who retained ultimate power and oversight. The Statute of Elizabeth accomplished two other goals. First, it moved charities under the protection of the law of trusts, and second, in doing so it encouraged the private sector to support activities which had become starved of state funds (Drache, 1998, p. 8).

The Preamble to the Statute of Elizabeth, in Figure 2 below, outlines the activities that the emerging English middle-class were encouraged to support financially, thereby

relieving the Crown of its “financial obligations for public works and what we might call social welfare” (Drache, 1998, p. 8).

Figure 2: Preamble to the Statute of Charitable Uses Act (The Statute of Elizabeth) The Statute of Charitable Uses Act (1601), 43 Elizabeth I c. 4 An Acte to Redresse the Misemployment of Landes Goodes and Stockes of Money heretofore given to Charitable Uses.

Whereas Landes Tenementes Rentes Annuities Profittes Hereditamentes, Goodes Chattels Money and Stockes of Money, have bene heretofore given limited appointed and assigned, as well by the Queenes most excellent Majestie and her moste noble Progenitors, as by sondrie other well disposed persons, some for Releife of aged impotent and poore people, some for Maintenance of sicke and maymed Souldiers and Marriners, Schooles of Learninge, Free Schooles and Schollers in Universities, some for Repaire of Bridges Portes Havens Causwaies Churches Seabankes and Highwaies, some for Educacion and prefermente of Orphans, some for or towards Reliefe Stocke or Maintenance of Howses of Correccion, some for Mariages of poore Maides, some for Supportacion Ayde and Helpe of younge tradesmen Handicraftesmen and persons decayed, and others for reliefe or redemption of Prisoners or Captives, and for aide or ease of any poore Inhabitantes concerninge paymente of Fifteenes, setting out of Souldiers and other Taxes; Whiche Landes Tenementes Rents Annuities Profittes Hereditaments Goodes Chattells Money and Stockes of Money nevertheles have not byn employed accordinge to the charitable intente of the givers and founders thereof, by reason of Fraudes breaches of Truste and Negligence in those that shoulde pay delyver and imploy the same: For Redresse and Remedie whereof, Be it enacted by Authoritie of this presente Parliament, That it shall and may be lawfull to and for the Lorde Chauncellor or Keeper of the Greate Seale of Englande for the tyme beinge, and for the Chauncellor of the Dutchie of Lancaster for the tyme beinge for Landes within the Countie Palatine of Lancaster, from tyme to tyme to award Commissions under the Greate Seale of Englande, or the Seale of the Countie Palatine as the case shall require, into all or any parte or partes of this Realme respectivelie, according to their severall Jurisdiccions as aforesaide, to the Bishoppe of everie severall Diocesse and his Chancellor, in case there shalbe any Bishoppe of that Diocesse at the tyme of awardinge of the same Commissions, and to other persons of good and sounde behaviour, authorisinge them therebie, or any fower or more of them, to inquire, as well by the Oathes of Twelve lawfull Men or more of the Countie, whereunto the saide parties interested shall as by all other good and lawfull waies and menes, of all and singular such Giftes Limitacions Assignements and Appoyntments aforesaide, and of the Abuses Breaches of Trustes Negligences Mysemploymentes, not imployinge concealinge defraudinge misconvertinge or misgovernmente, of any Landes Tenementes Rentes Annuities Profittes Hereditaments Goods Chattels Money and Stockes of Money heretofore given limited appointed or assigned, or whiche hereafter shalbe given limited appointed or assigned, to or for any the charitable and godlie uses before rehearsed: And after the

saide Commissioners or any fower or more of them, upon callinge the parties interested in any suche Landes Tenementes Rentes Annuities Profits Hereditaments Goodes Chattels Money and Stockes of Money, shall make inquirie by the Oathes of twelve men or more of the saide Countie, whereunto the saide parties interested shall and maye have and take their lawfull challenge and challenges; and upon suche inquiry hearinge and examinyng thereof set downe suche Orders Judgments and Decrees, as the saide Landes Tenementes Rents Annuities Profits Goods Chattels Money and Stockes of Money may be due and faithfullie employed, to and for suche of the charitable uses and intents before rehearsed respectivelie, for whiche they were given limited assigned or appointed by the Donors and Founders thereof: whiche Orders Judgements and Decrees, not being contrarie or repugnant to the Orders Statutes or Decrees of the Donors or Founders, shall by the Authoritie of this presente Parliamente stand firme and good accordinge to the tenor and purporte thereof, and shalbe executed accordinglie, untill the same shalbe undon or altered by the Lorde Chauncellor of Englande or Lorde Keeper or the Greate Seale of Englande, or the Chauncellor of the Countie Palatine of Lancaster, respectivelie within their severall Jurisdictions, upon complainte by any partie grieved, to be made to them. Provided alwaies, That neither this Acte, nor any thing therein contained, shall in any wise extende to any Landes Tenements Rents Annuities Profits Goods Chattels Money or Stockes of Money, given limited appointed or assigned, or whiche shalbe given limited appointed or assigned, to any Colledge Hall or Howse of Learninge within the Universities of Oxforde or Cambridge, or to the Colledges of Westminster Eaton or Winchester, or any of them, or to any Cathedrall or Collegiate Churche within this Realme. And provided alsoe, That neither this Acte nor any thing therein shall extende to any Citie or Towne Corporate, or to any the Landes Tenements given the uses aforesaide within any such Citie or Towne Corporate, where there is a speciall Governour or Governours, appointed to governe or directe suche Landes Tenements or Things disposed to any the uses aforesaide; neither to any Colledge Hospitall or Free Schoole whiche have speciall Visitors or Governours or Overseers appointed them by their founders. Provided also and be it enacted by the Authoritie aforesaide, That neither this Acte nor any thing therein contained shalbe any way prejudiciall or hurtfull to the Jurisdiction or Power of the Ordinarie; but that he may lawfullie in everie cause execute and performe the same as though this Acte had never bene had or made. Provided also and be it enacted, That noe person or persons that hathe or shall have any of the saide Landes Tenements Rents Annuities Profits Hereditaments Goods Chattels Money or Stockes of Money in his Hands or Possession, or dothe or shall pretende Title thereunto, shall bee named Commyssioner or a Juror for any the causes aforesaide, or beinge named shall execute or serve in the same. And provided alsoe, That no person or persons which hathe purchased or obteyned, or shall purchase or obteyne, upon valuable Consideracion of Money or Lande, any Estate or Interesse, of in to or out of any Landes Tenements Rents Annuities Hereditaments Goods or Chattels that have bene or shalbe given limited or appointed to any the charitable uses above mencioned, withoute Fraude or Covyn, havynge no Notice of the same Charitable Use, shall not be impeached by any Decrees or Orders of Commissioners above mencioned for or concernynge the same his Estate or

Interests. And yet nevertheless Be it enacted, That the saide Commissioners, or any Fower of more of them, shall an may make Decrees and Orders for recompense to be made by any person or persons whoe, beinge put in Truste or havynge notice of the charitable Uses above mentioned, hathe or shall breake the same Truste, or defraude the same Uses, by any Conveiance Gifte Graunte Lease Demise Release or Conversion whatsoever, and againste the Heires Executors and Admynistrators of hym them or any of them, havynge Assettes in Law or Equitie, soe farre as the same Assettes will extende. Provided alwaies, That this Acte shall not extende to give Power or Authority to any Commissioners before mentioned: to make any Orders Judgements or Decrees for or concernynge any Mannors Landes Tenements or other Hereditaments assured conveyed graunted or come unto the Queenes Majestie, to the Late Kinge Henrie the Eighte, Kinge Edwarde the Sixte, or Queene Marie, by Acte of Parliament Surrender Exchange Relinquishement Escheate Attainder Conveiance or otherwise. And yet nevertheless Be it enacted, That if any suche Mannors Landes Tenements or Hereditaments, or any of them, or any Estate Rente or Profitte thereof or oute of the same or any parte thereof, have or hathe byn given granted limited appointed or assigned to or for any the charitable uses before expressed, at anye tyme sithence the begynnyng of her Majesties Reigne, that then the saide Commissioners or any fower or more of them shall and maye, as concerninge the same Landes Tenements Hereditaments Estate Rente or Profit soe given limited appointed or assigned, procede to enquire and to make Orders Judgements and Decrees accordinge to the purporte and meaninge of this Acte as before is mentioned: The saide last Proviso notwithstandinge. And be it further enacted, That all Orders Judgments and Decrees of the saide Commissioners, or of any fower or more of them, shalbe certified under the Seales of the saide Commissioners or any fower or more of them, either into the Courte of the Chauncerie of Englande, or into the Courte of the Chauncerie within the Countie Palatine of Lancaster, as the case shall require respectivelie accordinge to their severall Jurisdictions, within suche conveniente tyme as shalbe limited in the saide Commissions; And that the saide Lorde Chancellor or Lorde Keeper, and the saide Chauncellor of the Duchie, shall and maye, within their saide severall Jurisdictions, take suche Order for the due Execucion of all or any of the saide Judgments Decrees and Orders as to either of them shall seeme fit and convenient: And that if after any such certificattes made any person or persons shall fynde themselves grieved withe any of the saide Orders Judgments or Decrees that then it shall and maybe lawful to and for them or anie of them to complaine in that behalfe unto the saide Lorde Chancellor or Lorde Keeper, or to the Chancellor of the saide Duchie of Lancaster, accordinge to their severall Jurisdictions, for Redresse therein; And that upon suche Complaine the saide Lorde Chancellor or Lorde Keeper, or the saide Chancellor of the Duchie may, accordinge to their saide severall Jurisdictions, by suche course as to their wisdomes shall seeme meeteste, the circumstances of the case considered, procede to the examinacion hearinge and determynynge thereof; and upon hearinge thereof shall and may adnull dymynishe alter or enlarge the saide Orders Judgements and Decrees of the saide Commyssioners, or any fower or more of them, as to either of them, in their saide severall Jurisdictions, shalbe thoughte to stande withe Equitie and good Conscience,

accordinge to the true intente and meaninge of the Donors and Fownders thereof; and shall and may taxe and awarde good Costes of Suite by their discrecions againste such persons as they shall fynde to complaine unto them, without juste and sufficient cause, of the Orders Judgments and Decrees before mencioned.

Using the Preamble, for the two hundred years following the 1601 Statute of Elizabeth, all trusts were thought to be charitable if a public benefit resulted. This changed in 1804 with the case of *Morice v. The Bishop of Durham* in which the court decided that a trust, in order to be enforceable as a charitable trust has to address one of more of the headings listed in the Preamble to the Statute of Elizabeth. Even though the Preamble does not establish itself as an exhaustive list, from 1804 onwards the courts began to narrowly define what was charitable rather than use the Preamble as a guide.

In *Commissioners for Special Purposes of the Income Tax v. Pemsel* (1891) AC 531, the English judge summarized the Preamble as follows:

Charity in its legal sense comprises four principal divisions; trusts for the relief of poverty; trusts for the advancement of education; trusts for the advancement of religion; and trusts for other purposes beneficial to the community not falling under the preceding heads.

In the novel *Tom Jones* written by Henry Fielding in 1749 two views of charity emerge that show how thinking about charitable activity was evolving between 1601 and 1804:

One party seems to hold that all acts of this kind are to be esteemed as voluntary gifts, and however little you give (if indeed no more than your good wishes), you acquire a great degree of merit in so doing. Others, on the contrary, appear to be as firmly persuaded, that beneficence is a positive duty, and that whenever the rich fall greatly short of their ability in relieving the distresses of the poor, their pitiful largesses are so far from being meritorious that they have only performed their duty by halves, and are in some sense more contemptible than those who have entirely neglected it. To reconcile these different opinions is not in my power. I shall only add that givers are generally of the former sentiment, and the receivers are almost universally inclined to the latter. (in Kymlicka, 1999, p. 87)

As Fielding's work appears between the Statute of Elizabeth and *Pemsel* it gives us a window on the views of charity held at that time, and according to Kymlicka (1999)

still held today. The roots of these two views could be seen to be in self-interest and social position, or in the competition between the older religious conception of an ethical virtue and the emerging secular conception of social justice (p. 88). The *Pemsel* case shows evidence of both views of charity and since it is basis for the four heads of charitable activity allowable in Canada, these opposed views continue to be present in all subsequent decisions.

Charities in Canada

As the above discussion shows, the historical focus has been on those organizations that undertake specific kinds of charitable activity recognized by the Crown and the government. In Canada there are approximately 80,000 registered charities that meet specific criteria, discussed below, set by the federal government (Statistics Canada, 2004). There are an additional 81,000 organizations that perform similar work in communities but who do not hold registered charity status (Statistics Canada, 2004). In the discussion that follows, the focus is on registered charities because this is the only area where the courts have been engaged to comment on what is or is not charitable under the law.

Drache (1998) notes in his analysis of the history that the courts in common law jurisdictions use the *Pemsel* case to define what is meant by charity (p. 8). Though the judge's summary is not a definition in the true sense of the term, all common law jurisdictions use *Pemsel* and the 1601 Preamble to determine what charity means. While there is variation around the world, Canada's definition of the term "charity" is the narrowest of all. In short, the Canada Revenue Agency – the federal body tasked with registering charities in Canada – delimits a registered charity in its literature (T4063(E) Rev. 01) in the following way:

The courts have identified four general categories of charitable purposes. For an organization to be registered, its purposes have to fall within one or more of the following categories:

- the relief of poverty;
- the advancement of education;

- the advancement of religion; or
- certain other purposes that benefit the community in a way the courts have said are charitable.

Again Drache (1998, p. 10) observes,

The restrictive definition of the word “charity” employed by [Canada Revenue Agency] has become a serious problem for many types of organizations in Canada. The fact of the matter is that while the courts pay lip service to the oft-state judicial view that the term is one which “evolves” over time, presumably based upon changing social and economic circumstances and societal objectives, the definition in Canada has evolved so slowly as to appear almost permanently rooted in the 19th century.

The root of the problem of the definition used by the Canada Revenue Agency (CRA) can partly be attributed to the fact that the Income Tax Act, for which CRA has oversight, does not define “charitable”. Expressing frustration, Justice Strayer of the Federal Court of Appeal stated that in his opinion, the definition of charity, “remains, nevertheless, an area crying out for clarification through Canadian legislation for the guidance of taxpayers, administrators and the courts” (Human Life International, 1998). Yet while one level of the court calls for clarification, another disagrees. For example, Supreme Court Justice Iacobucci in writing for the majority in the *Vancouver Society* (see Figure 3) rejects approaches other than *Pemsel* to determine charitability when he states,

In my view the fact that the *ITA* [Income Tax Act] does not define “charitable”, leaving it instead to tests enunciated by the common law indicates the desire of Parliament to limit the class of charitable organizations to the relatively restrictive categories available under *Pemsel* and the subsequent case law. This can be seen as reflecting the preferred tax policy: given the tremendous tax advantages available to charitable organizations, and the consequent loss of revenue to the public treasury, it is not unreasonable to limit the number of taxpayers who are entitled to this status. (para. 200)

Thus, the situation in Canada remains confused and confusing.

The connection with the Income Tax Act goes back to 1917 when the term “charitable institutions” was introduced as a temporary measure in the Income War Tax

Act. Under the Income War Tax Act (S.C.1917 c. 28 Subsections 5(d), (e) and (g)), certain types of organizations were granted tax exempt status. These included organizations that were religious, charitable, agricultural, educational as well as Boards of Trade and Chambers of Commerce. Labor organizations along with benevolent and fraternal beneficiary societies were also exempted. The final group of organizations provided with tax exempt status were clubs, societies, and associations providing social welfare programs, recreation, civic improvement or other non-profitable purpose (Drache, 1998, p. 25). Changes enacted in 1930 allowed taxpayers an income tax deduction for gifts made to “charitable organizations”. During the course of debates the Finance Minister had expressed concern about the term “charitable organization” because his department officials felt it would be hard to administer and that the real meaning was uncertain (p. 27). However, the Minister of National Revenue preferred the term and introduced it into the bill before Parliament on the basis that using this term avoided making a list of eligible organizations and the inherent likelihood of missing some, with the resultant protests (p. 27). R. B. Bennett, Leader of the Opposition supported the term and added that the word “charitable” is so broad all fields of human endeavor which a citizen may choose to support were open to him (p. 28).

A tax on gifts was enacted in 1935 with exemptions given to charitable organizations or educational institutions not operating for personal benefit or private gain. All levels of government were also made exempt from the gift tax at the same time. Also at this time the types of groups that could be charitable organizations was clarified to be only those that did not operate for private gain.

In 1940, the Canadian War Service Fund became another area where Canadians could receive tax deductions for their donations. In this case deductible donations could be made up to the full amount of the taxpayer’s income. Previous percent limitations were set aside for this type of donation. What is notable about this event it that it is the first time that an amendment was made to add on to the charitable category within the legislation (p. 29).

After World War II, changes came frequently. In 1948, the Income Tax Act (ITA) replaced the Income War Tax Act. Provisions for the tax exempt status, exemptions from gift tax, and the deductibility of certain types of gifts moved with little change from the old legislation to the new. The new ITA used consistent language for the first time, including the phrase, “operated exclusively for charitable purposes” (p. 29). This signaled a shift away from focusing on the nature of the organization to its purposes and operations. As Drache (1998, p. 29) writes,

This shift had been prefigured a few months earlier when John Diefenbaker asked “What national charities are considered as deductible from income for income tax purposes?” Robert Winter, Parliamentary Assistant to the Minister of National Revenue responded that, while no master list was available, “... in general exemptions extend and apply to all donations made to organizations in Canada whose *sole objects and purposes* are the relief of poverty or the advancement of religion or education”. [Emphasis added]

The focus on objects and purposes would shortly emerge as an area of fundamental concern. The principle concern was that of compliance with the ITA to ensure that a nonprofit organization was charitable under the Act. A second concern was differentiating those organizations that were charitable under the ITA from those that were not – the difference between registered charities and nonprofit organizations lacking that status.

The ITA was significantly revised in 1950. In particular, “charitable” gifts were deductible and tax exempt if receipts were filed along with the personal income tax documents. Further, these gifts had to be given to organizations under one of three newly defined categories of tax-exempt organizations – charitable organizations, charitable corporations not operated for profit, later to become foundations, and charitable trusts. The new categories had to be incorporated and had to spend 90% of their income on either their own activities or on gifts to other qualified charitable organizations (foundations) or spend 90% of their income on gifts to qualified charitable organizations (trusts). Neither could be operated for private benefit or gain. In 1957, after a debate on the issue, nonprofit organizations providing low-cost housing to seniors were added to

the list of organizations eligible to accept and receipt charitable gifts. While in 1930 these types of organizations were intended to be eligible to receive deductible donations, by this time Canada Revenue Agency (then Revenue Canada) had denied them charitable status on the basis that providing homes for seniors was a business.

In the intervening years between 1950 and 1965, cases before the Income Tax Appeal Board and the Exchequer Court addressed the questions of what makes a gift, an activity or an organization charitable. While the decisions did not always clarify the situation, the basic principles were confirmed. In particular, “private benevolence” was held to be not charitable. Decisions by the courts varied greatly. During this time the Audubon Society was found not to be charitable while in another case the principle activity of selling beer to raise funds for “social welfare, charity, education, and civic improvement” (Drache, 1998, p. 33) was sufficient for an unincorporated group to receive tax exempt status.

New legislation brought forward in 1966 addressed problems associated with charities and receipts for donations. Minister of Finance, Mitchell Sharp, in his budget speech of that year offered a clear and specific process in regard to charitable donations. His proposal was the registration of charities and the associated requirement for annual returns. This meant that for tax purposes, organizations were not charitable unless they were registered with the federal government. While it was claimed that the new legislation define terminology related to charities, the definition of “registered Canadian charitable organization” did little to change what already existed. The new term meant any organization falling within one of three classifications - charitable organizations, charitable corporations (later to become “foundations”) or charitable trusts. The accepted process of adding onto the list of organizations that were considered charitable continued. As well, deductible donations were made available to specific classes of charitable organizations operating outside of Canada (Drache, 1998, p. 34).

A government white paper (Government White Paper, November 7, 1969) making proposals for tax reform did little to improve the understanding of charitable organizations, activities or gifts in Canada. It did however, propose that amateur athletic

associations be added to the growing list of organizations eligible to give deductible receipts. These organizations were included in the final legislation was enacted in 1971 as nonprofit groups which by definition were not charities. Also included in the legislation was an increase in the limit on deductibility to 20% though the limit remained at a 100% for gifts to federal or provincial governments. At this time the Federal Court of Appeal was designated as the body to hear appeals from Canada Revenue Agency (then called Revenue Canada) on matters regarding registered charities (Drache, 1998, pp. 37-38).

The definitional issue was once again addressed between 1972 and 1977 through an interdepartmental committee but did not produce any conclusions or proposals to clarify the situation. The committee's findings did give rise to other questions and ultimately the 1975 discussion paper released by the Department of Finance. The paper put forward the ideas of,

- a “public foundation” which subsumed “charitable corporations” and,
- a “private foundation” which subsumed “charitable trusts”.

The implication of being designated public or private included different restrictions and different requirements for the disbursements of funds. The concept of “related business” was introduced as were definitions for permit transfers, accumulations of income, standards of disclosure and restrictions on fund-raising (Drache, 1998, pp. 38-39).

Amendments to the Income Tax Act were passed in 1976 thereby implementing most of the proposals in the discussion paper. Also included was the most clearly articulated governance framework to date.

Drache, one of the only participants at all discussions during this time, noted that while,

no new definition was forthcoming, the process of defining a charity by what it could and could not do was well under way. It is worth noting that in almost every instance, the new legislation extended the powers of charities beyond what is thought to be the common law. (1998, p. 39)

For example, charitable organizations making donations to other charities was acceptable and deemed to be a charitable activity. Likewise, a charitable organization was allowed

to operate a related business as a charitable activity. Each of these was to come under extensive scrutiny later on.

The decade from 1978 to 1988 was a period when the administrative issues associated with charities were being set out and debated. Canada Revenue Agency (then Revenue Canada) had the mandate to register and oversee charities. Decisions were made on a case-by-case basis guided by case law, their experience, and history within the department. Because strict confidentiality rules meant that their decisions and the rationale behind them could not be made public, the process appeared to be subjective and arbitrary to many organizations either making application for registration or those being deregistered. In an effort to clarify what activities were permissible and prohibited, the CRA (then Revenue Canada) produced the circular “Registered Charities: Political Objects and Activities (1978). The circular drew a strong negative reaction from all levels of government, charities, and the media. Charities saw the circular as evidence that the government was trying to intimidate or silence them and was a “violation of their rights and as a constraint on their ability to carry out their vital role of effecting change” (Drache, p. 41). The outcry gave voice to the question at the very heart of charitable activity: What is the role of charities in modern Canadian society? The circular was withdrawn. However, because it was a statement of the existing law, the problems it raised remained unresolved. The Senate noted that there had been several attempts to create a workable definition but the undertaking had not proved to be possible and therefore the reference to The Statute of Elizabeth and the four heads set forth in *Pemsel*, must be upheld (Drache, 1998, p. 42).

Scarborough Community Legal Services v. The Queen was the first case of several that the Federal Court of Appeal decided upon issues related to what charitable activity and charitable purpose mean. The courts found that political activity including activities like holding rallies and attempts to change the law were acceptable provided that they were non-essential and incidental to other charitable activities. Amendments to the Income Tax Act, passed in 1986, used the *Scarborough Community Legal Services* case to set out what political activity was acceptable. Added to the “non-essential and

incidental” requirements was the further constraint that charitable organizations could not directly or indirectly support or oppose political parties or candidates. The other clarification was that “substantially all” of a charitable organization’s resources must be committed to charitable activities or purposes (Drache, 1998, p. 43). This feature became known as the “10 percent rule” meaning that no more than 10% of a charitable organization’s resources (deduced from an accounting of time, money, staffing et cetera) could go to non-essential and incidental activities. The case of *Alberta Institute on Mental Retardation v. Her Majesty The Queen* (1987) described more fully in Figure 3 below, provides insight to how the Federal Court of Appeal interpreted activities to be non-essential and incidental to the charitable purpose.

Figure 3: *Alberta Institute on Mental Retardation v. Canada*, [1987] 3 F.C. 286, (1987) 76 N.R. 366, [1987] 2 C.T.C. 70, (1987) 87 D.T.C. 5306 (F.C.A.), leave to appeal dismissed, [1988] S.C.C.A. No. 32.

CASE SUMMARY

The Alberta Association for the Mentally Handicapped created the Appellant, the Alberta Institute on Mental Retardation (AIMR) exclusively for charitable purposes. The purpose of AIMR was to raise funds for charities with programs benefiting individuals with mental retardation. As a method of raising funds, AIMR entered into a contractual fund raising arrangement with Value Village. Value Village operated for profit and completely independently of AIMR. Under the contract, AIMR solicited and collected household items that were then given to Value Village. Value Village reimbursed AIMR for all expenses incurred and provided AIMR with \$2,000 in advance and 50% of all retail sales above the \$2,000 on a monthly basis. All of the funds received by AIMR from Value Village were forwarded to the Alberta Association for the Mentally Handicapped for use in charitable projects. AIMR applied to the Minister of National Revenue to be a ‘registered charity’ as a ‘public foundation’. The Minister denied the application.

Two issues were before the Court.

1. First, whether AIMR’s relationship with Value Village resulted in AIMR operating for a non-charitable purpose, or, in the Minister’s words, was AIMR not operating for exclusively charitable purposes as required by the ITA?
2. Second, was AIMR carrying on a business that was not a ‘related business’ as defined in Section 149.1 of the ITA?

RESPONDENT'S ARGUMENT

Issue 1: The Minister argued that even though AIMR's purposes were exclusively charitable, AIMR was not operating exclusively for charitable purposes. The Minister argued that because AIMR's sole activity was the organization's commercial venture with Value Village and that therefore it was carrying on a business in the ordinary sense of the word. Such a substantial commercial undertaking is not permitted for registered charities. The Minister further argued because the fund raising arrangement was AIMR's only activity, it was not fulfilling any of its charitable purposes.

Issue 2: As noted above, the Minister argued that AIMR carried on a business that was unrelated to its charitable objectives and was carrying on an ordinary business. This was demonstrated by the facts that AIMR anticipated profits and assumed commercial risks and obligations. AIMR's focus therefore, must have been on commercial operations. The Minister also argued that 'substantially all' of AIMR's employees involved in the contract were paid, which is not permitted if a charity is operating an 'unrelated business'. The Minister argued that the commercial nature of the operation was not saved by AIMR dedicating the funds it earned to charitable purposes. The Minister further argued that the fundraising activities of AIMR were incidental to its business activities and not the other way around.

APPELLANT'S ARGUMENT

Issue 1: Although AIMR's arguments are not set out in the case report, AIMR's position would probably have been that their purposes were exclusively charitable and all of the proceeds from their "business" operation were put to charitable purposes.

Issue 2: AIMR's position would probably have been that if they were operating a business, the business was related to its objects and therefore the definition in the ITA did not apply to AIMR's circumstances.

DECISION

Issue 1: The Court held that AIMR was fulfilling its charitable purposes. Specifically that the business activities of AIMR were incidental to the attainment of its charitable purpose and that AIMR could therefore be considered to be acting for charitable purposes.

The Court dealt first with the Minister's argument that AIMR was not fulfilling any of its charitable purposes. The Court saw no merit in the Minister's position because all of AIMR's objects were charitable. The raising of funds was specifically listed as an object of AIMR and all of the funds raised were given to charitable organizations.

The Court then discussed whether AIMR was carrying on a business. The Court stated that the association of a charitable organization with a commercial enterprise did not necessarily mean that characteristics of a 'business' as defined" at Section 248 were

conferred to AIMR. It depended whether the commercial enterprise was an end or purpose in itself or merely a means to fulfilling an end. In the case of AIMR, that end was the otherwise exclusively charitable purpose of the organization. Relying on case law from the British House of Lords (Lord Denning), the Canadian Court confirmed that if business ends supplanted the charitable ends then the organization would cease to be a charity and become a business. The Court held that these circumstances had not occurred with AIMR and that AIMR could be said to be operating for exclusively charitable purposes. The Court noted that an organization operating under mixed purposes i.e. some charitable and some non-charitable, would lose its exemption.

Issue 2: The Court held that the type of activity in which AIMR was involved was the kind of commercial activity that constituted a related business.

The Court allowed AIMR's appeal and referred the matter back to the Minister, directing that AIMR be granted registration. The Minister applied to appeal the matter to the Supreme Court of Canada but was denied. One member of the Court found that AIMR was carrying on a business and engaged in a commercial activity. This Justice found that the business and commercial activities were unrelated to AIMR's charitable objects and therefore the activity was an 'unrelated business'.

The Court clarified that the real issue is not whether AIMR was carrying on a business as defined in the ITA but assuming AIMR's involvement with Value Village was a business, whether it was a 'related business'. The Court relied on statements from the then Minister of Finance as quoted in the published work of Arthur Drache (1980, p. 12) where the Minister stated that "technically no charity can carry on a business" but that many charities "carry on worthwhile fund-raising activities which might be construed as business activities. I see no reason to alter this situation as it exists in practice. On the contrary, I want to bring the law into conformity with the current standards of the community". The Minister strongly expressed the opinion that the basic principle of the activity is that it be related to the charity's purpose and should not become a substantial commercial business. The Court then rejected that the definition of a 'related business' had any bearing on the case because it only applied with respect to "a business that is unrelated to the objects of the charity" whereas the Court found that AIMR's business activity was "closely associated with and related to the objects of the charity". The Court was of the view that its interpretation was "consistent with the clear intention of Parliament to recognize the contemporary reality insofar as the fund-raising activities of modern charitable organizations are concerned".

SUMMARY

The Court took a very broad interpretation of "related business" permitting what otherwise might be viewed as operating a business to be charitable because it held that the activity was closely associated with the agency's charitable objects. It seems the

Court was highly influenced by the fact that all of the proceeds went to the Agency's otherwise charitable purpose.

Adapted from Seel (2003).

By clarifying the definition of 'related business' the courts effectively expanded the scope of what could take place within a charitable organization. By giving charities greater latitude for resource development, the courts removed some of the boundary restrictions imposed by the Minister of Finance. The boundary between a charity's desire to have unrestricted options for revenue development and the Minister's desire to limit nontaxable activity remains a sticking point that is continually tested by representatives from both sides. One observer, however notes,

What, in our view, is most interesting is that the charity community has not attempted to "take advantage" of the situation. Notwithstanding the fact that a good argument could be made that any charity can now carry on any business activity and treat it as "related", most charities have been circumspect in their approaches. This may be because they do not want to get heavily involved in a situation from which it may be difficult to extricate themselves if another case overturns *Alberta Institute* or if the government chooses to deal with the situation by way of legislation. (Gould, 2006, p. 28)

From the late 1980s to the late 1990s, little came forward to improve upon the definition of charity. Decisions by the Courts have included pleas for legislative aid in the definitional process, something not forthcoming from Parliament. The first case to be considered by the Supreme Court of Canada, *Vancouver Society of Immigrant Women and Visible Minority Women v. The Minister of National Revenue*, was heard in 1998 and a decision handed down in 1999. Figure 4 below outlines the case that introduced a "public benefits test" and clarified what distinguished charitable purposes and charitable activities.

Figure 4: Vancouver Society of Immigrant and Visible Minority Women v. The Minister of National Revenue and The Minority Advocacy and Rights Council, the Canadian Ethnocultural Council, the Center for Research Action on Race Relations, and the Canadian Centre for Philanthropy (Interveners) DTC 5034 (SCC) January 28, 1999.

CASE SUMMARY

This was an appeal of the Vancouver Society of Immigrant and Visible Minority Women's (VSIW) second application to the Minister for registration as a charitable organization. VSIW amended its constitution on several occasions to attempt to meet the Minister's requirements for registration. The Society's purposes at the time of hearing by the Courts were as follows:

- (a) to provide educational forums, classes, workshops and seminars to immigrant women in order that they may be able to find or obtain employment or self employment;
- (b) to carry on political activities provided such activities are incidental and ancillary to the above purposes and provided such activities do not include direct or indirect support of, or opposition to, any political party or candidate for public office; and
- (c) to raise funds in order to carry out the above purposes by means of solicitations of funds from governments, corporations and individuals;
- (e) to provide services and to do all such things that are incidental or conducive to the attainment of the above stated objects, including the seeking of funds from governments and/or other sources for the implementation of the aforementioned objectives.

For reasons outlined below, the Minister refused VSIW's application. VSIW appealed to the Federal Court of Appeal who also denied registration. The Federal Court of Appeal found that VSIW's activities did not fit within the categories set out in *Pemsel's* case or the common-law development of the categories. With respect to public benefit, the Court rejected VSIW's analogy to another case, *Native Communications Society of BC v. The Minister of National Revenue* ([1986] 2 C.T.C. 170, 86 D.T.C. 6353 (F.C.A.)) in which the court analyzed the fourth head of charity in *Pemsel* within the context of the "spirit of intendment" of the Preamble to the Statute of Elizabeth. The Federal Court of Appeal found that providing a benefit to people such as minority women, who are in a position to invoke Charter rights, does not in and of itself make an activity charitable. In summary, the Federal Court of Appeal found that VSIW's purposes and activities were too indefinite and vague for the Minister to determine with any certainty what the activities were, who their intended beneficiaries were, and whether these beneficiaries were truly in need of charity as opposed to merely being in need of help. A concern was that the lack of clarity of the activities and purpose could potentially give rise to a situation where the Society's resources could be used for non-charitable purposes.

VSIW appealed to the Supreme Court of Canada on two issues:

1. Did the Federal Court of Appeal err in law in finding that the Society did not qualify as a charitable organization within the meaning of the ITA?
2. If the Society does not qualify under the traditional definition of charity, should a new approach to the law of charity be adopted? If so, what form should it take, and can the Society qualify under the new approach?

APPELLANT’S POSITION AND ARGUMENT

VSIW argued that: its purposes clause restricted it to charitable activities under the second or fourth heads of charity; immigrant and visible minority women should be treated as a special case, similar to ‘aboriginal Canadians’ in *Native Communications*; its main purpose was educational and that clause 2(e) was merely a means to attain its main purpose; and, that any political activity was incidental to its other purposes.

RESPONDENT’S POSITION AND ARGUMENT

In correspondence to VSIW, the Minister stated that the objectives of the Society were too broadly and vaguely worded. To be eligible, VSIW’s purposes must be exclusively charitable and VSIW must devote all of its resources to charitable purposes. VSIW had not specified how meeting the needs and concerns of immigrant and visible minority women was charitable. Under the head of advancement of education, the Minister argued that VSIW’s educational purpose lacked the charitable characteristics the courts had accepted. Merely presenting information orally or in writing, rather than “training...the mind through the learning of a vocational skill or improvement upon a useful branch of human knowledge” was not enough to qualify under the second head. In addition, the Minister: “was not convinced that: the organization was constituted exclusively for charitable purposes... as it did not devote substantially all its resources to charitable activities”; that VSIW was created, at least in part, for political purposes; and that VSIW’s activities did not benefit a sufficient section of the public to qualify under the public benefit test of the fourth head, and therefore could not be considered charitable.

DECISION

Majority: In its decision, the Majority acknowledged the calls for reform in this area and questioned whether the time for modernization had come. The Majority responded in the negative and dismissed the appeal with only minor revision to the law. The Court held that VSIW’s purposes did not restrict it to charitable activities alone even if this was the intention in redrafting its purposes.

Reasoning of the Majority: The Court outlined the relevant provisions of the ITA indicating that the significant criterion of Section 149.1(1) in this case was that an organization must devote all of its resources to charitable activities. The Court proceeds with the analysis typical to most of the charities law cases noting the lack of definition of ‘charity’ in the ITA and confirming that *Pemsel*, the Preamble to the Statute of Elizabeth and the modern restatement of the

Preamble are the starting points. The Court points out that in *Pemsel*, the House of Lords noted that the objects listed in the Preamble “are not to be taken as the only objects of charity but are given as instances” and that the law of charity is a moving subject that has evolved since the classification set out in *Pemsel*. However, the *Pemsel* scheme is subject to the overriding consideration that the purpose must be for the benefit of community or a substantial portion of s community. This is a separate test from that under the fourth head of charity and “reflects the general concern that “[t]he essential attribute of a charitable activity is that it seeks the welfare of the public; it is not concerned with the conferment of private advantage” (Waters, 1984, p. 550) and includes an element of ‘voluntariness’.

The Court makes clear that in its view, there is a distinction between ‘purposes’ and ‘activities’. An activity can lose its charitable nature if it is put to an uncharitable purpose (e.g. collecting funds can be charitable if the funds go to a charitable purpose so that it is the purpose for which “an activity is carried out), and not the character of the activity itself, that determines whether or not it is of a charitable nature. Both ‘activities’ and ‘purposes’ must be considered.

In terms of resources committed to charitable activities, the Court emphasized Section 149.1 of the ITA that requires that a charitable organization must devote all its resources to charitable activities with two exceptions:

1. that set out in Section 149.1(6.1) and (6.2) – “political activities that are ancillary and incidental” to an organization’s charitable activities; and,
2. that established by the common law that a purpose might not be charitable but if it is incidental to another, charitable purpose, and therefore not an end in itself, but a means to an end, the organization could be considered charitable. The Court indicates, as was the case here, that mistakenly calling an ‘activity’ a ‘purpose’ will not disqualify an organization from registration.

The Court concluded there are two requirements for registration under s 248(1):

1. the purposes of the organization must be charitable, and must define the scope of the activities engaged in by the organization; and
2. all of the organization’s resources must be devoted to these activities unless the organization falls within the specific exemptions of Section 149.1 (6.1) or (6.2).

The Court confirmed that the best way to determine if an organization’s purposes are charitable is by way of analogy to *Pemsel*, “subject always to the general requirement of providing a benefit to the community,” and considering “society’s current social, moral and economic context.” The Court then applied its reasoning to the case before it. The Court looked at the traditional definition of education that had been used by the courts previously. The Court found this to be an excessively narrow interpretation in the context of contemporary Canadian society. The Court expanded the definition of

advancement of education to “promoting activities which are seen as being of special benefit to the community, or advancing a common good. In the case of education the good advanced is knowledge or training...so long as [it] is provided in a structured manner and for a genuinely educational purpose – that is, to advance the knowledge or abilities of the recipients and not solely to promote a particular point of view or political orientation”. This was consistent with the evolutionary, incremental approach it had earlier stated was the Court’s role: to keep law current with contemporary society. This definition included informal workshops or seminars but excluded simply making materials available for people to educate themselves. The Court found that VSIW’s educational endeavors qualified as charitable under the Court’s expanded definition.

The Court then asked whether this educational purpose also qualified under the further test of whether it benefited “the community or an appreciably important class of the community”. To qualify here, “the class must be substantial, or at least not so small that there is no benefit to the community as a whole, and the benefits cannot be provided exclusively to a particular class of private individuals, defined only by their personal relationships to the organization or their creed.” The Court found that VSIW met this test as well.

The Court accepted the test for the fourth head set out in *Native Communications*. To meet this test public benefit alone is insufficient and the burden is upon the agency applying for charitable registration to show how its purposes are beneficial to the community. The Court acknowledges this is basically a circular argument. The Court then adopted and expanded a test for the fourth head set out in the British case *D’Aguiar v. Guyana Commissioner of Inland Revenue*, [1970] TR (PC) and stated that a court must:

1. consider the trend of decisions which have established certain objects as charitable and ask whether by extension or analogy the case under consideration is in line with those decisions;
2. examine accepted anomalies to see if they would cover the objects under consideration in the case before the court;
3. (as a cross-check with the first two) whether, under the objects proposed, the income and property of the agency under consideration could be used for purposes “clearly falling outside the scope of charity.”

The Majority, unlike the Justices writing for the Minority, found that there was no trend of cases recognizing that “immigrants are often in special need of assistance in their efforts to integrate into their new home”. Among other arguments, the Court was not prepared to accept the elimination of prejudice and discrimination as charitable purposes, in part because it could not accept that the difficulties faced by immigrant women in obtaining employment arose from prejudice and discrimination. This purpose was therefore, not an exclusively charitable purpose.

The Court found that the purpose (a) qualified as charitable but not under the fourth head. As this was the only charitable purpose in the Court's view, it considered that the only way purposes (b), (c) and (e) could be considered charitable is if they were ancillary and incidental to (a). The Court noted that purposes (b) and (c) contemplate political activities and soliciting funds. The Court acknowledged that these purposes were probably drafted with the intention of fitting within the 'incidental and ancillary' exception permitted under Section 149.1 of the ITA. The Court noted that this exception is permitted for charitable 'activities' not charitable 'purposes' but nonetheless because the Court characterizes purposes (b) and (c) as "means to the fulfillment of purpose (a), and not ends in themselves," VSIW was not disqualified from registration because of purposes (b) and (c).

However, with respect to purpose (e), the Court commented that it is drafted extremely broadly. In addition, the Court distinguished between doing things that are "incidental" as opposed to "conducive" to the attainment of charitable purposes. The Court suggests that an action "conducive" to a result implies that the action contributes to the result as opposed to being carried out only in pursuit of the result. The broad drafting and use of the word 'conducive' were sufficient for the Court to consider that purpose (e) could not be charitable as it related to charitable purpose (a). However, the Court said that to meet this test, the activities of an organization must also be reviewed. The Court found the purpose of assisting immigrant women to find employment was not charitable and neither were activities furthering that purpose. In the Court's view, this fact proved that VSIW's purposes permitted it to engage in non-charitable activities.

The Court was asked to consider a new and more expansive approach to the definition of 'charitable'. Different options were presented by VSIW and the interveners, the Canadian Centre for Philanthropy (CCP). The Court commented favorably on proposals suggested by the CCP, but declined to embark on a new approach, holding that it was Parliament's responsibility to engage in such an expansion of the concept of 'charity'.

The Court found that activities such as a job skills directory, networking, liaising for accreditation of credentials, soliciting job opportunities, and offering referral services were not charitable activities. The Court held that VSIW had not demonstrated how its activities fell within the established categories of charity either directly or by analogy. Therefore, the activities were not charitable. VSIW failed to meet the test set out in Section 248(1) of the ITA. The Court saw no merit in the argument that the scheme set out in the ITA discriminated against any group. The Court stated that the denial of VSIW's registration was as a result of the nature of its purposes and activities, not the characteristics of the intended beneficiaries.

Minority: The Minority disagreed with the Majority’s application of the law to this case and held that VSIW fit within the second and fourth heads of charity, that Parliamentary reform of the law was not necessary because it was the court’s role to expand the law of charity in accordance with societal needs. It was also unnecessary because the Minority recognized that assisting immigrant women to obtain employment was a charitable purpose that had already been recognized as charitable under the fourth head and would have granted VSIW registration.

Reasoning of the Minority: The Minority decision sets out more fully the chain of lengthy correspondence between Revenue Canada and VSIW, the legislative framework and the process for applying for charitable registration emphasizing that as a result of the process there is a very limited record available to the Courts making decisions in charity law cases. The Minority sets out the historical development of charities law and finds that Parliament, has “implicitly accepted that the courts have a continuing role to rationalize and update” the definition of charity to “keep it in tune with social and economic developments.” The Minority finds the *Pemsel* test a flexible judicial creation with open categories.

The Minority found two key principles embedded in the case law that should guide the development of the existing categories of charitable purposes:

1. voluntariness...(that is giving to third parties without receiving anything in return other than the pleasure of giving); and
2. public welfare or benefit in an objectively measurable sense.

In addition, two principles evolving from trusts law as modified by the ITA are relevant: the purposes of an organization must be exclusively charitable (Section 149.1(1)); and the purposes of the organization must be for the benefit of the community or of a benefit to an appreciably important class of the community. This test has two components: there must be an objectively measurable and socially useful benefit conferred; and it must be a benefit available to a sufficiently large section of the population. The public benefit requirement is particularly important under the fourth head because as public benefit is presumed under the first three heads it must be proven under the fourth.

The Minority reviewed the application of the *Pemsel* classification and noted that the leading Canadian case on the fourth head is *Native Communications*. To determine whether a particular purpose is charitable, the Court held that the judiciary should consider whether the purpose under consideration is analogous to one of the purposes enumerated in the Preamble of the *Statute of Elizabeth*, or build analogy upon analogy. The decision expressed that courts should not shy away from the recognition of new purposes that may be of benefit to community by responding to pressing social needs.

The Minority stated that the courts must begin by examining the organization's purposes, and only then consider whether its activities are sufficiently related to those purposes. Examination of an activity on its own only rarely could determine if it was charitable or non-charitable. The courts must then look to see if there is sufficient connection between the activity engaged in and the stated charitable purpose of the organization. Purposes need to be evaluated substantively and activities assessed by the degree to which they are instrumental in achieving the organizations goals as set forth within its charitable purpose.

Using the same reasoning, the court clarified that political purposes cannot be pursued at all. However, a charity may operate a commercial enterprise provided it is a means to accomplishing the purposes of the organization rather than an end in itself.

The Minority noted: (1) the onus is on the applicant to show that their activities focus on charitable purposes; however, in this case the 'purpose' could not be totally distinguished from 'activities'; (2) a purpose can fit into more than one *Pemsel* category provided each of the purposes fits into at least one *Pemsel* category. A central issue in the case is the question whether VSIW's purpose fits within the second *Pemsel* category. The Minority agreed with the Majority's expansion of the scope of the second head and that VSIW's purpose '(a)' fits within it. VSIW therefore qualifies as a charitable organization because its purpose is charitable under one of the *Pemsel* categories.

Unlike the Majority, the Minority accepted that the purpose of assisting immigrants to obtain employment as charitable and sets out a line of cases supporting that position. Because there is case law supporting this view, the Minority does not see this position to be a fundamental change to the law and therefore there is no need to analogize this case with *Native Communications*.

The Minority then proceeds to address a number of the arguments raised against VSIW's registration.

1. Whether VSIW's activities are sufficiently connected to its purpose and answers the question in the affirmative.
2. Whether VSIW has impermissibly limited its class of beneficiaries and finds in the negative.
3. Whether VSIW's purpose is too political and finds that the issue of political purposes does not arise at all in this case.
4. Whether VSIW's purpose is too vague or uncertain and suggests that societies to some degree are compelled to write broad purposes and that vagueness and uncertainty are to some degree in the eye of the beholder. This view suggests that the Majority was actually concerned with the vagueness of the activities and how the activities relate to the purpose rather than vagueness of the purpose. The decision notes that ultimately the rejection by the Majority is based on the word "conductive"

and sites the Supreme Court of Canada and House of Lords precedent which accepts such language. The Minority did not view the distinction drawn by the Majority between ‘incidental’ and ‘conducive’ to be a meaningful one.

5. To the question of whether or not the definition of charity should be revised by Parliament is answered in the negative as the *Pemsel* classification is sufficiently flexible and the task of modernizing the definition of charity has always fallen to the courts.

SUMMARY

The Court, meaning the majority from here on, added or clarified, a ‘public benefit’ test to be added to the four heads of charity test and reinforced the principle stated previously by the Federal Court of Appeal that having activities that are good and of public benefit, is not sufficient to merit registration as a charitable organization.

The Court was very concerned with distinguishing between charitable purposes and charitable activities and took great pains to apply the distinction in this case. The Minority approach to ‘purposes’ and ‘activities’ is clearer and more comprehensible. The Court broadened the test under the second head – advancement of education – from the previously narrow interpretation. The Court placed responsibility for reforming charities law on Parliament. The Court found that purpose clauses cannot be vague and indeterminate or permit any activity that can be considered uncharitable. To that end, the Court is prepared to engage in detailed, arcane analyses of purposes and activities.

Adapted from Seel (2003).

The cases highlighted in Figures 3 and 4 show the complex and often contradictory legal framework that defines a registered charity. Figure 4 brings forward the importance of ‘charitable purpose’ as opposed to ‘charitable activity’. As was shown in that case, purposes are the ends to be achieved by the charity while the activities are the means by which the ends are accomplished. Charitable activities must prove to be instrumental in the achievement of a charity’s goals. But as the case demonstrated, it is entirely possible to have broadly a written purpose and activities such that distinguishing between means and ends is difficult. While it is the charity’s responsibility to be clear in its application, this assumes a high degree of sophistication that is unlikely to exist in over 50% of nonprofit organizations in Canada that do not have paid staff and rely completely on volunteer support. Further, because there has been no release of information by CRA on why charitable status is approved or declined, there is no body of

basic knowledge to assist applicants in better framing their purpose and activities. The absence of dialogue between CRA and nonprofit organizations (including potential applicants) and between nonprofit organizations themselves around what counts as a charitable purpose and charitable activities, is a significant obstacle to sustainability. Organizations with similar purposes or activities do not necessarily work together to use resources more effectively or efficiently to the desired end. Citizens interested in addressing a social need are more likely to define their own purpose and activities rather than identify existing organizations that have a related purpose resulting in increased competition for limited resources. As will become apparent later on, the activity of securing resources to remain sustainable, among other requirements, has led to a reactive, often defensive or competitive stance being taken by many nonprofit organizations.

Current Realities

The situation today at least in terms of definitions, remains largely unchanged. New information on the nonprofit sector provides better understanding about certain dimensions of the nonprofit sector. A federal government sponsored national initiative – The Voluntary Sector Initiative – has resulted in a new working relationship between government and the sector. Some specific areas relevant to this research are outlined below.

Definitions

The Panel on Accountability and Governance in the Voluntary Sector, also known as the Broadbent Report, (1999) made a number of recommendations to improve both the accountability of the nonprofit sector and the transparency of its activities. Within the discussions that took place from that report through to the present, confusion over the terminology to be used was evident.

For economists, lawyers, and accountants, the sector is known as the *nonprofit sector*. For this group, *nonprofit* describes a charitable form of governance with

specific fiduciary and regulatory responsibilities and requirements. The term *voluntary sector* is used more commonly by sociologists who see one of the defining characteristics of the sector to be that participation is noncoercive, with volunteer involvement central to accomplishing its purposes. The “third sector” or ‘independent sector’ is used by political scientists to define the group of organizations that operate independently of the business/private sector and the public/government sector. (Seel, 2000a, p. 580)

Some common definitions are:

- **Registered Charity** – a charitable organization, private foundation, or public foundation, as defined in the Income Tax Act, that is resident in Canada and was either created or established in Canada; or a branch, section, parish, congregation, or other division of an organization or foundation as described above that is resident in Canada and was either created or established in Canada and that receives donations on its own behalf. Registered charities are registered with Canada Revenue Agency and can issue tax receipts for donations (Sharpe, 1999, p. 44).
- **Charitable Organization** – an organization that may or may not be incorporated and which devotes all of its resources to its own charitable activities – that is, those activities under its direct control. None of its income can go to the personal benefit of any proprietor, member, shareholder, trustee, or settler of the organization (Sharpe, 1999, p. 44). A charitable organization may or may not be a registered charity with Canada Revenue Agency (Bulletin IT-496R, August 2, 2001).
- **Nonprofit Organization** – an organization that has the following characteristics: serves a public benefit, relies on volunteers at least for the governance of the organization, except for tax benefits it has limited direct control by governments, and does not make profits thereby making it eligible for an exemption for paying income tax. Nonprofit organizations are differentiated from registered charities on the basis of their status under the federal Income Tax Act. Nonprofit organizations are also called

“not-for-profit” or “non-profit” (Panel on Accountability and Governance in the Voluntary Sector, 1999, p.119). Canada Revenue Agency defines a nonprofit organization as a club, society, or association that is organized and operated solely for social welfare, civic improvement, pleasure or recreation, any other purposes except profit.

- **Voluntary Organization** – an organization working to serve a public benefit that relies on volunteers at least for governance responsibilities. It relies on some financial support from individuals and on limited influence by governments except regarding tax benefits. The term is used to include both registered charities and public benefit organizations that do not presently qualify for registration under the Income Tax Act. Excluded are large institutions such as museums, universities, colleges, hospitals and nonprofit organizations that have corporate members and commercial interests, such as trade associations (Panel on Accountability and Governance in the Voluntary Sector, 1999, p.120).

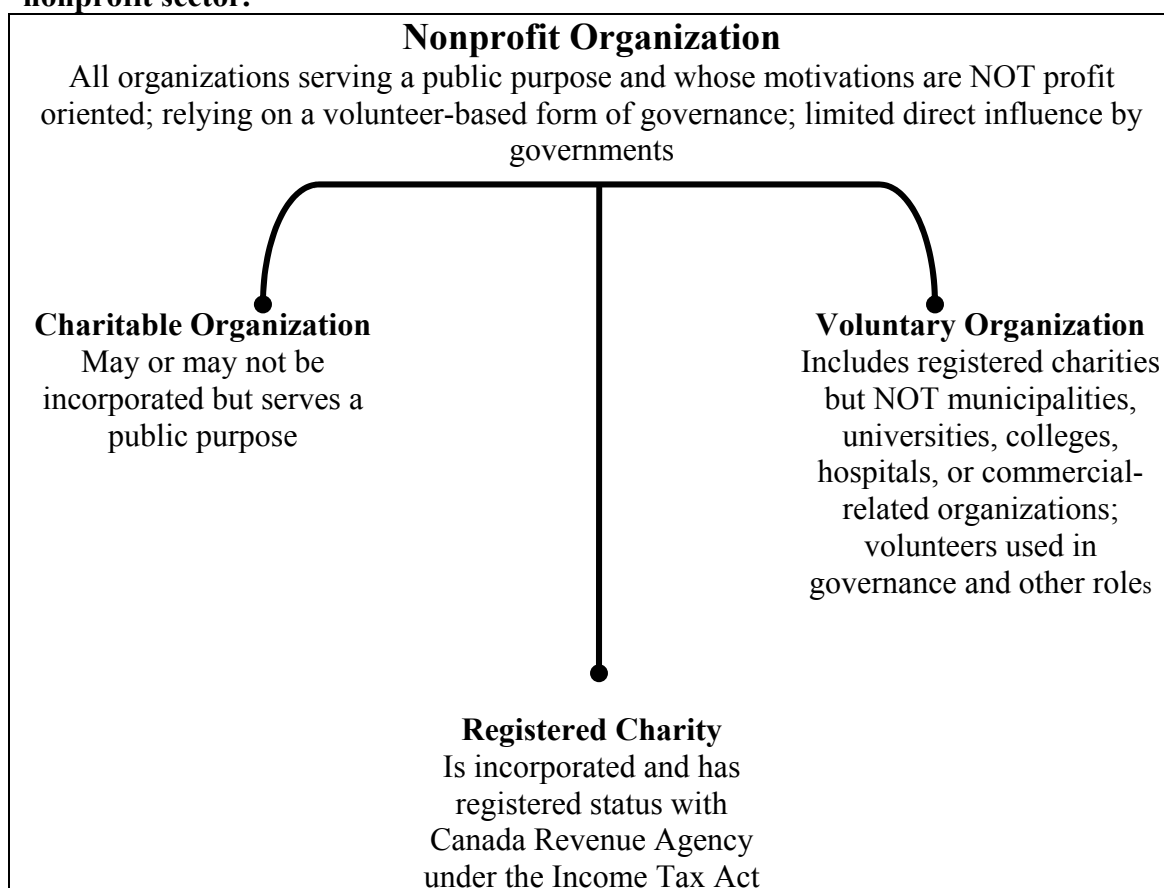
No one of the definitions above adequately covers the diversity of activities and organizational forms within the nonprofit sector. Within this thesis, the terms “nonprofit” and “charitable organization” shall be used interchangeably to describe the types of organizations under consideration, namely, those organizations established to serve a public benefit. When discussing a registered charity, the term “charity” or “registered charity” will be used. Figure 4 below identifies the relationship between how nonprofit will be used in this thesis and other definitions used to describe organizations within the nonprofit sector.

Because only the term “nonprofit” comes without exclusions of one kind or another, it will be the term used to identify the sector and the types of organizations that constitute the sector. When specific types of organizations are being referred to, the definition will be consistent with those provided in Figure 5 below.

Terms related to the funding side of the sector, contrasted against the service delivery side (public benefit), are:

- **Private Foundation** – is a charitable foundation of which 50 percent or more of the directors or trustees do not deal with each other and with other directors and trustees at arm’s length; a person or group of persons who do *not* deal with each other at arm’s length and contribute more than 50 percent of the capital (Sharpe, 1999, p. 44).
- **Public Foundation** – is a charitable foundation of which 50 percent or more of the directors or trustees deal with each other and with each of the other directors or trustees at arm’s length and have not contributed more than 50 percent of the capital (Sharpe, 1999, p. 45).

Figure 5: Relationship between terms used to identify organizations in the nonprofit sector.



While the debate on which term(s) are most applicable to the sector continued, work progressed on reforming the sector. Of particular note is the formation of the Joint Regulatory Table and their subsequent recommendations that found their way into federal budget tabled March 23, 2004.

Nonprofit Sector and the Federal Government

In November 2000, the Joint Regulatory Table (JRT) was formed as part of the Voluntary Sector Initiative of the federal government and the voluntary sector in Canada. The Table continued the work on regulatory issues that began with the Joint Tables' report, *Working Together* (Joint Tables, 1999). The Joint Tables consisted of representatives from government and the sector from three working groups addressing building relationships with government, strengthening capacity within the nonprofit sector, and improving the regulatory framework (p. iii). Some of the elements of the report (pp. 9-12) are outlined in Figure 6 below.

Figure 6: Options presented by the working groups within the Joint Regulatory Table

| Table on Building a New Relationship | Table on Strengthening Capacity | Table on Improving the Regulatory Framework |
|---|---|--|
| <ul style="list-style-type: none"> • An accord between the government and the sector to guide the evolving relationship • Assigning responsibility for the development of the relationship at the ministerial level • Creation of a small secretariat to continue the work of the Privy Council Office's Voluntary Sector Task Force | <ul style="list-style-type: none"> • Create a task force to analyze the current funding situation and recommend government-wide funding principles and guidelines • Establish a National Volunteerism Initiative • Establish a sector account as a subset of Statistics Canada's System of National Accounts and conduct | <ul style="list-style-type: none"> • Legislative changes including improved access to information, clarification of advocacy and education, studying liability issues • Institutional changes including a new framework for regulatory oversight • Administrative changes including new tax return forms for charities, the introduction of |

| | | |
|---|---|--|
| <ul style="list-style-type: none"> • Formation of a permanent organization to nurture the relationship • Periodic meetings between Cabinet Ministers and leaders of the voluntary sector • Improved funding and regulatory regimes • A relationship with Parliament | <p>the National Survey of Giving, Volunteering and Participating</p> <ul style="list-style-type: none"> • Develop information management and information technology employment initiatives | <p>compliance mechanisms, charity on allowable “business-related expenses”</p> <ul style="list-style-type: none"> • Funding changes starting with a study of various funding approaches to resolve complexities in the current funding system |
|---|---|--|

From this early report, the JRT consisting of seven representatives from charities and seven officials from the federal government, three advisors and a secretariat of officials, worked for two years examining the regulatory issues in Canada’s charities. In April of 2003, a final report, *Strengthening Canada’s Charitable Sector* (JRT, 2003), consisting of 75 recommendations was submitted to the Minister of Finance and the Minister of National Revenue. The budget tabled by the Minister of Finance in March 2004 adopted 72 of the recommendations, most without revision. Hunter and Wyatt (2004) note that several of the recommendations do not require legislative change. Those recommendations that do require changes to the Income Tax Act fall into three broad categories: transparency, intermediate sanctions, and appeals (p. 2). Generally the issues in each category are:

- *Transparency* – changes to the ITA will require the Charities Directorate of the Canada Revenue Agency to make available reasons for all decisions on applications for registration of charities. Other changes include public access to information about sanctions imposed on a charity for violations to the ITA access to copies of financial statements charities file with their annual returns, the sharing of information with others who regulate charities.

- *Intermediate sanctions* – while no new rules are being introduced because there are no new offences under the ITA, there will be penalties that can be imposed before charitable status is revoked.
- *Appeals* – the only option for appeals has been to the Federal Court of Appeal, an expensive and slow process. An appeals branch of the Canada Revenue Agency will now hear appeals of rulings by the Charities Directorate. It should be noted that the Federal Court of Appeal and the Supreme Court of Canada have criticized this approach which is inconsistent with the treatment of any other kind of tax matter.

Boards of Directors

Accountability for understanding the historical and legal context of operating a nonprofit organization rests with citizens who agree to uphold the public trust by becoming directors on the board of a nonprofit organization. That well-known politician Ed Broadbent would chair a federal panel focused on accountability and governance demonstrates the level of concern associated with how boards of directors operate. The report notes that, “Accountability is the requirement to explain and accept responsibility for carrying out an assigned mandate in light of agreed upon expectations. It is particularly important in situations that involve public trust” (Panel on Accountability and Governance in the Voluntary Sector, 1999, p. iii). While the history of the nonprofit sector shows that some fundamental definitions are absent in the articulation of expectations, particularly between registered charities, various federal Ministers and the Canada Revenue Agency, the report puts forward eight tasks that form the core of a code of good governance (Panel on Accountability and Governance in the Voluntary Sector, 1999, p. iv):

1. ensuring the board understands its responsibilities and avoid conflicts of interest;
2. undertaking strategic planning aimed at carrying out the mission;

3. being transparent, including communicating to members, stakeholders and the public, and responding appropriately to requests for information;
4. developing appropriate structures for the organization;
5. maintaining fiscal responsibility;
6. ensuring that an effective management team is in place and providing oversight of human resources;
7. implementing assessment and control systems; and
8. planning for the succession and diversity of the board.

The first five tasks are complicated by the lack of a clear definition of what is meant by ‘charitable’ and the confusion between charitable purposes and charitable activities that exists in the nonprofit sector.

Nevertheless, a growing concern is the liability of directors of nonprofit organizations. In most cases, directors are not personally liable for contracts, acts or omissions of the nonprofit corporation they are a director of because a corporation is considered to be a separate legal person at law. Writing for Industry Canada, Burke-Robertson summarizes the legal issues and liabilities facing directors (2004). Six areas are identified:

1. *Liability and contracts.* Normally directors are not personally responsible for the contracts that they sign on behalf of the nonprofit corporation provided that the bylaws provide directors and officers with the authority to undertake legal agreements on behalf of the organization. Problems can occur if the legal documents do not adequately identify the nonprofit corporation or if directors enter into contracts on behalf of a nonexistent nonprofit corporation.
2. *Liability in tort.* This pertains to situations where the directors’ own conduct is tortious. Negligent mismanagement occurs when an injury suffered by someone can be attributed to the carelessness in some area of the nonprofit corporation’s operations. In other words, the board knew about or ought to have known about a particular hazard and did nothing to remedy the situation.

3. *Liability for breach of fiduciary duty.* This occurs when directors breach their duties to the nonprofit corporation and the corporation suffers a loss that can be directly attributed to the actions or omissions of the directors. Directors have the duty to be diligent, competent, loyal, to act in good faith and to avoid conflicts of interest.
4. *Liability for breach of trustee duties.* Directors of registered charities have a greater exposure to personal liability than directors of other types of nonprofit corporations. Directors of registered charities have additional responsibilities more typically associated with trustees. Central to this additional responsibility is that directors of registered charitable corporations must take pro-active steps to protect charitable property. The failure of directors to act in this way could open directors to being liable for the breach of his/her fiduciary responsibilities or the breach of trust. Particular areas of concern are liability risks from remuneration of directors, liability for breach of trust when dealing with charitable property, breach of trust involving investment decisions, liability risks from co-mingling of donor restricted funds, breach of trust involving charitable objects, breach of special purpose charitable trust involving donors. Each of these areas hinges on how the activities and purposes of the charitable corporation acquire and utilize property given to the corporation as well as fulfilling the donor's restrictions on how that property is to be employed.
5. *Common law liabilities.* This refers to the case when directors act outside of the incorporation documents, bylaws, letters patent, and other governing documents. In such cases, the director is personally liable for the decisions or actions that they take.
6. *Statutory liabilities.* A number of provincial and federal statutes impose personal liability on the directors of nonprofit corporations (p. 5). Most of these statutes related to employees, reporting requirements, taxation and environmental regulations. Directors are expected to be aware of and to carry

out his/her duties in accordance with acts such as the Income Tax Act, Canada Corporations Act, Winding-up and Restructuring Act, Competition Act, Privacy Act, and the Anti-terrorism Act. Numerous other federal or provincial acts also impact the nonprofit sector and directors are held accountable for adhering to each one that is relevant to their jurisdiction and operational context.

Political Activity by Nonprofit Organizations

One of the consequences of not having truly examined the definition of charitable over the past 400 years is that the role of charities in actively engaging in political debate and the formulation of social policy has remained a prohibited activity in Canada. In 2003 a long awaited clarification of what kinds of political activities registered charities can become involved in (Canada Customs and Revenue Agency, 2003) was received with some disappointment. Even though charities were consulted, little changed in how the government viewed political and advocacy activities by registered charities. When a follow up advisory was released by CCRA in 2004, the agency was responding to “uncertainty” within the sector about what was and was not allowable, little in the way of clarity was added to the issue of partisan politics.

The source of frustration for charities is that they frequently work in areas affected by social policy decisions or political decisions made by government. Seeing the consequences, say of, not raising disability payments to individuals or families for more than a decade, charities working in this area are positioned to comment on the policy decisions of government. Comments on a particular policy or politician put the organization at risk for losing its registered charitable status – a critical tool in fundraising as it gives the charity the right to issue tax receipts for donations. The threat of de-registration means that registered charities cannot serve as advocates for the people accessing services nor can they actively lobby for legislative changes that would positively impact the lives of those most vulnerable in our society. In 2001, the CCRA stated that,

Under Common Law, political purposes are not charitable and an organization will not qualify for charitable registration if at least one of its purposes is political. In this regard, the courts have decided that organizations seeking to achieve political objects, in whole or in part, cannot be recognized as charities. Examples of purposes of a political nature include:

- furthering the aims of a political party;
- promoting a political doctrine;
- persuading the public to adopt a particular view on a broad social question; and
- attempting to bring about or oppose changes in the law or government policy

As well, purposes that are so broad as to allow for unlimited political activity are not acceptable. (November, p. 7, emphasis in the original)

The Income Tax Act allowed registered charities to commit no more than 10% of the charities total resources (e.g., the combination of money, staff time, overhead, etc.) to “non-partisan political activities” so long as those activities help accomplish the charity’s purposes. This so-called “10% Rule” effectively gagged charities from all but the most benign (in the government’s view) involvement in activities that could result in a policy or regulatory change. The Act explicitly prohibits registered charities from engaging in partisan politics, meaning supporting or opposing a political party or candidate for public office.

In the grey area between the Common Law and CRA, charities on a daily basis make decisions to support or oppose policies knowing that the risk they run is having their charitable status revoked with the subsequent effect being the elimination of revenues requiring tax receipts such as grants from foundations.

Nonprofit Sector Data

The Canadian Policy Research Network commissioned five reports on Canada’s nonprofit sector between 2002 and 2004 (McMullen & Schellenberg, 2002; McMullen & Schellenberg, 2003a; McMullen & Schellenberg, 2003b; McMullen & Brisbois, 2003; Saunders, 2004). The first comprehensive look at the human resource situation in the sector, the collective research identified some strengths and areas for concern.

In general, working conditions in the nonprofit sector were found to be above average compared to the business or public sectors in terms of access to benefits, flexible work hours and training. However, significant human resource issues were identified that bear on the sector's ability to sustain its activities. Saunders (2004, vii) summarized the research, finding much lower pay for highly skilled staff, concerns about the adequacy of training and fewer opportunities for advancement. He found as well, that the "targeted and short-term nature of most funding makes it difficult for non-profit organizations to invest in capacity building.... Project funding also weakens the ability of non-profits to engage in long-term planning and to adhere to their primary missions, which can turn staff commitment into disillusionment" (p. viii).

In her report, *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations*, Scott (2003) continues the focus on funding issues and the concerns arising in the nonprofit sector. She writes,

The sense of alarm expressed by the nonprofit and voluntary sector community stems mainly from **how** organizations are funded. Many organizations that survived government funding cutbacks of the 1990s are financially fragile because they are now dependent on a complex web of unpredictable, short-term, targeted project funding that may unravel at any time. (p. xiii, emphasis in original)

Specifically, Scott identifies seven trends that undermine the sustainability of the nonprofit sector (pp. xiv-xv):

1. Volatility – representing the large swings in revenue that can be experienced as nonprofit organizations seek to diversify their funding base.
2. Mission drift – indicating the trend for nonprofits to move away from their core purpose in order to secure funding from narrowly prescribed project grants or government contracts. This movement away from the core purpose erodes a nonprofit organization's credibility in the community.

3. Loss of infrastructure – with the focus on project funding and growing restrictions on administrative costs including rent and utilities, nonprofit organizations are losing their basic infrastructure.
4. Reporting overload – increasing numbers of short-term contracts and multiple funders with expanded reporting requirements has meant that nonprofit organizations are spending increasing amounts of time reporting to funders rather than providing services.
5. House of cards – referring to the trend for funders requiring financial or in-kind contributions from other sources prior to committing their funds. The loss of one contract or partnership agreement can result in the collapse of the entire funding structure.
6. Advocacy chill – speaking out for one’s clients has become an increasingly risky activity as nonprofit organizations “have to cobble together different projects and partners in order to survive” (p. xv).
7. Human resources fatigue – which draws attention to the fact that employees and volunteers in the nonprofit sector are stretched to the limit to meet service delivery challenges on diminishing resources.

In 2003, Statistics Canada conducted the first national survey examining the state of nonprofit and voluntary organizations. The National Survey of Nonprofit and Voluntary Organizations (NSNVO) (Statistics Canada, 2004) gave Canadians their first glimpse at the organizations making up the nonprofit sector and what they found was surprising at many levels. First, it was found that there are 161,000 nonprofit organizations in the country employing over 2 million people. With \$112 billion in revenues, the sector represents approximately 7% of the gross domestic product (about 8.5% if the value of volunteer time contributions were factored into the calculation). While about a third of that revenue is attributed to the comparatively few hospitals, colleges and universities (together counting for about 1% of the total number of nonprofit organizations), nearly \$75 billion in revenues comes from the smaller organizations – two

thirds of which have annual revenues of less than \$100,000. Just over half of the nonprofit organizations in Canada operate without paid staff and rely on volunteers alone to accomplish their work in the community.

On the revenue side, it was found that 49% comes from government sources, earned income amounts to 35% of revenues and donations only account for 13% of revenues. With government cut backs and pressures by increasing numbers of nonprofit organizations to solicit funds from donors, financial pressures are extreme. While large institutional organizations, those with budgets over \$10 million, are more likely to depend on government, smaller organizations depend on earned income, gifts and donations.

The question of whether or not nonprofit organizations can be sustained in this environment hangs threateningly over the sector. The NSNVO made the case poignantly by stating,

Nonprofit and voluntary organizations appear to be experiencing difficulties fulfilling their missions or achieving their organizational objectives, which may limit their ability to contribute to community. Just over one-half reported having problems with planning for the future, recruiting the types of volunteers needed by the organization and obtaining board members. Just under one-half reported problems with retaining volunteers, obtaining funding from other organizations such as government, foundations or corporations and obtaining funding from individual donors. (Statistics Canada, 2004, pp 5-6)

Of those organizations that receive government funding (nearly 50% of all nonprofit organizations) nearly 60% reported having problems as a result of reductions to government funding, an unwillingness of funders to support core operational expenses such as administrative costs or long-term programs), and dependency on short-term project funding.

The Calgary Context

All of the organizations participating in the interviews as part of this research are based in Calgary. A recent examination of Calgary's nonprofit sector by the Calgary

Chamber of Voluntary Organizations (CCVO) demonstrated that nonprofit organizations in Calgary shared five difficulties with their counterparts across the country:

1. A lack of sustainable funding compounded by lack of financial support for administrative and overhead costs. As well, organizations reported a lack of independence and autonomy in making budget decisions (CCVO, 2005, p. 1).
2. Human resource concerns especially offering competitive salaries to recruit and retain staff. Also reported were concerns related to workplace stress, low morale, a lack of training, few opportunities for advancement and a lack of human resource management expertise (p. 1).
3. Difficulty in securing additional resources to participate in and manage partnerships with other nonprofit organizations and with funders (p. 1).
4. Challenges making and implementing long-term strategic plans due to short-term and often unstable funding (p. 1).
5. A lack of capacity to monitor and manage information technology and physical infrastructure (p. 1).

The situation in Calgary was found to be different in three ways (p. 1). First, Calgary's nonprofit sector had much lower expectations that they would see increased government support than the rest of the nation. Typically, Calgary-based nonprofit organizations were more inclined to consider ways of earning the needed financial resources. Second, strategic planning was a more generalized activity in Calgary than in the rest of the country. However, while planning may be taking place more commonly, the sector in Calgary faced barriers to implementing its plans because of the short term and unstable nature of funding. Finally, staffing issues were more pronounced in Calgary than elsewhere in Canada. The extremely tight labor market in Alberta is likely creating concerns for nonprofit organizations who cannot make competitive salary offers to employees.

The new information coming in the past few years paints a picture of a sector on the verge of radical change through either collapse or reformation. What is evident at

every turn is that as it is currently structured the sector is generally not sustainable. It cannot recruit or retain its most talented employees, a drifting sense of purpose is eroding ties to the community from which comes the support and mandate to operate, and funding appears to vastly inadequate for the tasks being undertaken by the sector. While some are certainly succeeding in this environment – primarily the large and influential organizations and institutions – most are frighteningly near to closure. With over 80,000 organizations having significant problems planning for the future, the nonprofit sector in Canada is at a crossroads.

Summary

This chapter has presented a brief but detailed overview of the history associated with nonprofit organizations and charities specifically. This chapter is intended to sensitize the reader to the broad issues, historical and contemporary, that affect the sustainability of Canada's nonprofit sector. The focus on registered charities is provided as it is the only area pertaining to the nonprofit sector that has been the focus of legislation and legal analysis. Yet, despite over four centuries of legal debate, real clarity over the roles, responsibilities, scope and even definition of charitable organizations does not exist in a satisfactory form. For nonprofit organizations, a broader class than registered charities, there is no body of law per se. For this larger body of nonprofit organizations, precedents set for charities act as a guide for what is and is not allowable.

Over 400 years of history have set the foundation for charitable activities in Canada. It is surprising that over that period of time very little has changed in defining what counts as charitable. Today, contemporary issues are argued by analogy to be similar to something mentioned in the *Statute of Elizabeth* penned in 1601. Provision of internet services, for example, are made analogous to “highways.” A source of frustration for the Courts is the reluctance of governments to examine the definition of charitable with an eye to revising or updating the existing four heads of charity conceived by a monarch who saw the establishment of charities as one way to relieve the state treasuries of the burden to pay for the provision of services to the citizenry, e.g.,

education and health care. Today, Elizabeth I's legacy is still alive however, now regulated by the arm of government responsible for collecting taxes – a purpose obviously in conflict to the establishment of organizations that are tax exempt. In the middle of this tug of war between the courts and the Income Tax Act, are nonprofit organizations. Lacking a definition of “charitable”, these organizations choose to organize themselves with various objects thus becoming trusts, foundations, nonprofit organizations, registered charities, and other forms less easy to label. Boards of directors have accountabilities and responsibilities to a range of external Acts and laws as well as to the purpose for which the nonprofit organization was established to address.

The definitional issue, significant on a historical basis and because it binds a large portion of the nonprofit sector to the Income Tax Act, has been pushed aside because of the immense immediate challenges to the sector shown in recent sector research. For most Canadians, awareness of the nonprofit sector is limited to the few organizations they may have had contact with as a child (e.g., Scouts, Girl Guides, the YMCA or community soccer league) or as someone requiring a service (e.g., women's shelter, cancer support group, senior's housing or counseling). What is unknown to most is that the very vital services provided by the sector – health care, education, services for the most vulnerable in society, protection of the environment as so on – are cracking under the combined pressures of under funding, competition for employees with the resulting challenge of acquiring much needed skills, and the erosion of the sector's purpose in society.

It is in this light that we move to the next section of this thesis and employ grounded theory to gain an understanding of how nonprofit organizations address the issue of sustainability.

CHAPTER THREE: APPROACH TO THE RESEARCH

The selection of a research method should be driven by the nature of the research question. The exact methodology used by each branch of interpretive inquiry varies with the desired end product (Stern, 1992, p.54). For this thesis the general question that guided the research was:

How do senior administrators understand and realize sustainability in his/her nonprofit organization?

A related question also addressed in the focused interviews with senior administrators of nonprofit organizations was:

What are the factors contributing to or detracting from activities designed to make a nonprofit organization sustainable?

The questions arose from my own knowledge and familiarity with the nonprofit sector. As a past senior administrator in a smaller charity and as a current senior administrator of a post-secondary-based institute (with mandates to both conduct research in the nonprofit sector and generate educational programming), I had access to information and opportunity to interact broadly with nonprofit organizations in Canada. My personal experience within the nonprofit sector spans nearly three decades. In addition, in the role of consultant, author, and ‘expert,’ I contributed to the generation and dissemination of ideas to senior administrators in the nonprofit sector. Senior administrators were making comments at conferences, local events, in course work, and through a variety of other means that, though the demand for services was increasing, there were fewer resources available to deliver services.

The question of “sustainability” had become (and continues to be) one of the most common issues faced by senior administrators of nonprofit organizations. Even though the question is commonplace, there is no common understanding about how the sustainability issue was understood nor what it meant to both senior administrators and their organizations. My interest in trying to formulate a theory about the sustainability of nonprofit organizations from a qualitative perspective runs counter to the dominant trend

of quantitative economic and contract theory being generated by scholars to describe the nonprofit sector. Going into my research, I believed that the ways in which senior administrators were making sense of his/her particular situations could be conceptualized and described through a grounded theory. Such a theory would be of benefit to nonprofit organizations and the discussions going on within them because it would frame the conceptual elements within the common sense interpretations of real administrators making real decisions within a complex operational environment.

Grounded theory is an appropriate methodology for this research because it allows for the generation of theory in areas where an extensive literature base or theoretical frameworks do not exist. In Canada, inquiry into the nonprofit sector has been extremely limited. An extensive scan of Canadian nonprofit sector “research” (including formal academic research, consultant driven research, research on a variety of issues undertaken by individuals and agencies, and occasional opinion papers) showed that 355 pieces were undertaken between 2000 and 2002 and that 114 pieces were produced in the two decades from 1980 to 2000 (Research to Practice Steering Committee, 2002). Very little research, particularly scholarly work, exists in Canada from which to draw any guidance. What is evident from the lack of research is that a great number of areas need further inquiry. As the following section will outline, much of this research, broadly defined, focuses on a few operational areas such as volunteer management and fund raising. Another emphasis in the broader international literature is on organizational effectiveness and efficiency.

Remaining unaddressed was the bigger question of organizational sustainability, which would encompass the operational areas covered by the literature and would go beyond by inquiring into what was driving senior administrators in the sector to make the decisions they were making associated with sustainability. Taken together, all of this demonstrates that any kind of extensive literature base or theoretical frameworks for nonprofit organizations (or the nonprofit sector as a whole) do not exist. Therefore, a grounded theory inquiry was an ideal approach to begin to generate theory where none exists.

Grounded Theory in This Research

Grounded theory takes a specific orientation to the research focus (definition of the problem), research process (data collection and analysis), the role of the researcher, and the research outcome (conclusions and interpretations) that is helpful in understanding the social processes associated with sustainability in the nonprofit sector (Bartell, 1995, p.125). In the case of my research, each of these four areas had a specific contribution to make. The linkage between these areas and my research is presented in the following sections.

Research Focus

In terms of the research focus, grounded theory is very suitable for an investigation into how nonprofit organizations understand, react or adapt to, and position themselves relative to factors effecting long-term sustainability. Typical research into the nonprofit sector emphasizes statistical analyses, presents the results of empirical investigations (including case studies and surveys), compares or contrasts or analyzes several empirical studies, presents simple counts, cites legal precedents, and employs a variety of other basic quantitative approaches. The primary concentrations of this body of research are (Dow, 2002, pp 7-12):

- volunteering (e.g. Canadian Council on Social Development, 2002a, 2002b, 2002c; Reed & Selbee, 2002, 2001a, 2001b, 2001c, 2001d, 2001e; Handy, Cnaan, et al, 2000),
- donating (e.g. Canadian Centre for Philanthropy, 2000; Myers & Malabone, 2001a, 2001b; Pinney, 2001),
- government relations (e.g. Brock, 2002, 2001; Good, 2001; Shields, 2002),
- legal matters (e.g. Broder, 2000; Drache & Hunter, 2000, 2001; Moran, 2001; Sossin, 2001; Volunteer Canada, 2002),
- the state of Canadian voluntary sector research (e.g. McKechnie, Newton, & Hall, 2000; Dreessen & Reed, 2000; Reed & Howe, 2002),

- the voluntary sector and its financial dimensions (Azmier, 2000, 2001; Hall & Banting, 2000),
- organizational development (e.g. Clemens & Wood, 2000, 2001; Foster & Meinhard, 2002; Hossli, 2000),
- governance and leadership (e.g. Gill, 2001a, 2001b, 2002), and
- human resource management (e.g. Safrit & Merrill, 2002).

These research concentrations are predictable and not at all surprising because together they form the foundation of common operational issues identified by nonprofit organizations. How to work with volunteers, issues between board and staff, managing staff and developing an organization with limited resources, and generating required resources have been common unresolved concerns in the nonprofit sector from its earliest days. On the surface, they share the core question of how to mobilize people and other resources to achieve certain charitable ends in the community. Grounded theory offers an opportunity for research to go beyond describing these issues and concerns in empirical ways. In this sense, grounded theory presents a very different approach and research perspective on situations that are commonplace and familiar to those in the nonprofit sector.

Research Process and the Role of the Researcher

Grounded theory situates the researcher in the research as an adjuvant. As an adjuvant the researcher both affects the research process and is affected by the interactions within the research. This role is fundamentally different from some branches of interpretive research in which the researcher is more of a catalyst. In those settings, “the researcher manipulates the circumstances, affects changes and then withdraws unchanged at the completion of the procedures” (Bartell, 1995, pp. 128-129). In the adjuvant role, a grounded theory researcher is looking for social, organizational or psychological processes that are fundamental to social life (Charmaz, 1994, p. 98). This raises the concern that researchers not trained as sociologists may not be able to observe

fundamental social processes (Piantanida, Tananis & Grubs, 2004, p. 333). Charmaz (1994) concludes her thoughts on the issue by noting that the processes being observed depend on the “researcher’s training and interests” (p. 98). In effect, this means that the researcher’s training and research interests are the interpretive lens through which social processes operating at the organizational or social psychological level are viewed. As a researcher, I bring a wide range of training to bear on this research including: nonprofit management training, board governance training and former graduate level work in critical theory. My research interests span a variety of nonprofit-related areas including ethics, sustainability, board governance and planning. As a director of a research institute with over 30 years of experience in the nonprofit sector, I have been engaged in scholarly activity along many different lines.

My involvement in the interviews, conversations, and numerous events attended during the course of this research, as well as my day-to-day work, influenced the completion of the research process. It also expanded and altered me as a researcher and as a professional in the nonprofit sector. My background and knowledge enabled me to find comprehensible categories and generate an emergent grounded theory by weaving together what was said and observed. In all cases, the experience of a participant deepened or altered my own understanding of how nonprofit organizations carry out their missions.

Grounded theory’s framework of continuous and simultaneous collecting, coding, and analysis supports a holistic experience for the researcher because the dynamics of the phenomena being investigated and the research process itself are encountered concurrently (Bartell, 1995, p. 127). In the research, I have used both qualitative and quantitative methods of data gathering, however in both methods I followed Bartell’s (1995) commitment to grounded theory’s focus on the process rather than the unit.

Sources of Data

During the research, conducted from May 2001 through to June 2005, data came from a number of sources. Below are listed both primary sources of data and secondary or verifying sources of data. Primary sources of data are limited to the focused interviews conducted with senior administrators and two additional interviews confirming theoretical saturation. Verifying sources of data are at least one level of abstraction removed from the focused interviews. As theoretical categories were being developed, I was able to bring ideas and early conceptions forward into discussions with a variety of groups attending public workshops or discussions. The data received from these sources both helped craft the theoretical categories and ensured that the emerging theory met the criteria for a quality grounded theory discussed later.

In grounded theory, the researcher is expected to be immersed fully in the area of inquiry. This means that to conduct grounded theory research as set out by Glaser and Strauss (1967), the researcher becomes part of the culture and setting of the inquiry. Data from such immersion leads to conceptual density and robust theory development.

Primary Sources of Data

The following sources of data were collected as primary data for the research.

- Eight in-depth, focused key informant interviews. These interviews were conducted with senior administrators of registered charities (one of which had let its registered status lapse due to sustainability issues discussed later in the thesis). Each interview had general guiding questions that changed slightly over the course of the research as concepts and categories began to form. A strict structured interview protocol was not followed to ensure that participants could range freely in discussing issues and ideas related to sustainability. Details of the organizations and the senior administrators follow below.

- Follow-up telephone calls as well as email communications were used as needed to clarify statements made by those interviewed.
- Two shorter, focused key informant telephone interviews to confirm theoretical saturation.
- Regular (monthly) review of archival information including annual reports, web sites of nonprofit organizations, bulletins and sector reports. This activity takes place on a regular basis as part of my role as Director of the Institute for Nonprofit Studies. Nonprofit organizations provide me with updates and changes to programs and often discuss strategic planning activities as part of an ongoing exchange of information between the Institute and the nonprofit sector.

Verifying Sources of Data

Secondary sources of data that helped inductively and deductively form the theoretical categories. The data provided was not interview data but rather commentary, critique, and discussion of emerging theoretical categories along the way to consolidating the theory that concludes this thesis. In this way, data from these sources helped verify the theory that I was formulating. The secondary sources included:

- Formal and informal engagements with nonprofit sector staff, volunteers, and board members through a variety of scholarly and public activities. These activities ensured that the emergent theory met the criteria for a quality theory and specifically that the theoretical categories were understandable and useful to nonprofit organizations in the nonprofit sector (McNabb, 2002, p. 314). Examples include:
 - Presentation of initial research findings to trustees, executive directors and senior managers of public libraries at The Alberta Library Conference in April 2006.
 - The completion of five related research projects on the nonprofit sector through the Institute for Nonprofit Studies, Mount Royal

College. Topics of the research included: volunteer motivation over the long term, legal issues facing the nonprofit sector, job quality and job satisfaction of executive directors (Seel & Angelini, 2004, 2005), expanded statistical applications of the National Survey on Giving, Volunteering and Participating to nonprofit sector planning, and a comparative policy analysis assessing the retention of values statements from legislation to implementation.

- The creation of 11 core course curricula related to the Bachelor of Applied Nonprofit Studies degree at Mount Royal College. Courses cover topics such as foundations of the nonprofit sector in Canada, operational planning and evaluation, strategic planning, board governance, statistical applications, ethics, fundraising, volunteer management and two directed field studies sessions. The curriculum was developed in consultation with the nonprofit sector and selected funders.
- Three provincial voluntary sector conferences (Vitalize 2002, 2004, 2005) where multiple sessions were presented with audience participation involving over 150 nonprofit agency representatives at each conference;
- Multiple public planning meetings for the Calgary Chamber of Voluntary Organizations where the policy issues and concerns related to nonprofit sector capacity and sustainability were discussed;
- Involvement in multiple public consultations activities within the Voluntary Sector Initiative and the Canadian Volunteerism Initiative concerning regulatory reform and capacity building (related to sustainability) within the nonprofit sector;

- Presentation of a scholarly paper at two international research conferences (Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA, 2003, 2004)); and,
 - Uncounted public meetings, discussions (face-to-face and electronic), and emails where the topic of sustainability was being discussed.
- Formal and informal discussions with nonprofit sector representatives as part of the National Learning Initiative and the Community of Inquiry initiative. I participated as a founding member of each initiative starting in 2000 and engaged in bi-monthly meetings with other post-secondary institutions, nonprofit organizations with significant training programs, federal government departments, community foundations and the Association of Canadian Community Colleges. Both initiatives focus “capacity building” within the nonprofit sector. The National Learning Initiative carried out national research into leadership within the nonprofit sector and conducted a major conference of nonprofit sector leaders and stakeholders in nonprofit sector capacity building such as Human Resources and Skill Development Canada. As well, nonprofit organizations along with postsecondary institutions with nonprofit-related educational programming from across Canada came together to discuss capacity and leadership issues on an annual basis from 2000 to 2005. I was a participant, leader and facilitator in all but a few of those gatherings.
 - Participation on a provincial leadership committee of the Alberta Nonprofit and Voluntary Sector Initiative (sponsored by the Government of Alberta) examining a partnership between the Government of Alberta and the nonprofit sector in the province. Meeting monthly since early 2004, this committee is working to create a formal relationship similar to the Accord struck between the federal government and the nonprofit sector

in 2001. A focus is the capacity of the nonprofit sector to sustain itself over the long term.

- Observations of nonprofit sector staff, volunteers, and board members at public meetings, consultations, information interviews, events, and educational sessions taking place on a weekly basis at the community level.

Key Informant Interviews

Key informant interviews were held with the most senior administrator responsible for the day-to-day operations of eight nonprofit organizations. The selection of key informants was guided by input from Volunteer Calgary and from The Calgary Foundation. Each of these organizations works closely with several hundred local nonprofit organizations. As well, both are familiar with hundreds of senior administrators through well-established and long-standing networks.

I asked the Executive Director of Volunteer Calgary and President and CEO of The Calgary Foundation to review my research question and suggest nonprofit organizations that have had a critical incident related to sustainability. Suggestions of a critical incident included such things as loss of charitable status, significant growth, significant reduction of services, and change in mission or primary focus. The names of 10 organizations were requested from Volunteer Calgary and The Calgary Foundation. Seventeen names of organizations were provided and eight senior administrators agreed to an interview. Even with the diversity of organizations, saturation was reached at the sixth interview. A seventh and eighth interview were conducted and results from seven interviews used in the research. The eighth interview was not used because while it produced data consistent with the other key informant interviews, the organization was a public foundation and therefore substantially different from the others included in the study.

A brief description of each of the eight nonprofit organizations and the experience of the senior administrator is provided below. *The names of the nonprofit organizations and the individuals interviewed have been changed to protect anonymity.*

Nonprofit Organization 1 - Innovations Dance Company. Susan, General Manager.

After more than 20 years of innovative dance, this company has retained its original senior administrator – Susan. The focus of the board is to help meet the financial targets that enable Innovations to fulfill its artistic and educational mandates. Nearly 60% of the organization’s planned revenues come from fundraising. The board takes very seriously the philosophy of achieving an annual balanced budget. With careful spending and minimal reliance on government subsidies, the annual budget has grown from \$425,000 to nearly \$2 million. They have operated profitably since 1994. As they put it, “Our current financial status is the envy of our peers in the arts community”. Additional revenues are generated from touring and a dance school. A small percentage comes from government in the form of grants.

Susan is responsible for all aspects of operations and besides the artistic director(s) is the principle contact with the board.

Nonprofit Organization 2 - Sandwich and Juice. Cynthia, Executive Director.

This agency began as a program of the World Job and Food Bank in 1990. Seeing tremendous growth in the demand for its services, Sandwich and Juice became a nonprofit society of its own in January 2001. Its funding comes from various projects such as bi-annual fundraising events, summer festival programs, a canister program, donations from foundations, corporations and individuals within the community, a 25-year annuity from the Banyan Tree Foundation and in-kind support from the Calgary Interfaith Food Bank. Additional funding comes from a casino every 18 months. At the time of the interview, the organization was beginning to address fundraising in a

coordinated fashion, forming for the first time an annual operating budget and plan. The annual budget at the time of the interview was approximately \$129,000.

Cynthia has less than two years of experience as the senior manager and only staff person with the organization. A principal concern is writing grant proposals to government and corporate funding bodies. Oversight of the lunch preparation is also a responsibility, however, a dedicated group of volunteers actually prepare and deliver the bagged lunches to various sites across the city.

Nonprofit Organization 3 - One to One. Janet, Manager.

One to One offers is an organization that facilitates the participation of single adults in a variety of activities perhaps not otherwise available or comfortable without a partner. A grassroots membership organization they identify a strength in the support and friendship they give each other. They hold dances, hikes, drop in lectures, dinners and other events to encourage friendship. One to One was formed in 1978 and was the first organization of its kind in Canada. One to One has provided a network of support activities, referral services, education and encouragement to thousands of single people. At its height, it had close to 500 members and is currently working to rebuild its membership base from a low of approximately 150 members. The organization let its registered charitable organization status lapse because the paperwork was found to be excessively onerous. Funding comes from modest activity fees and a casino once every 18 months that provides core operational funds. The annual operating budget is approximately \$35,000 – with the costs coming from the lease of space and Janet's part time salary.

Janet has been with One to One for 15 years and within the past three years took on the management of the organization. She is the only staff person and is supported by a volunteer board and a small group of volunteers that coordinate the activities held by the organization. While not holding the title of executive director, she has all the responsibilities of a person in that role.

Nonprofit Organization 4 - Youth Impact. David, Executive Director.

Formed in 1990, Youth Impact emerged in response to ethnic violence in the city. Professional people with legal, social services, educational and medical backgrounds came together and shared their observations and ideas for a solution. From these discussions, it became apparent that what was needed was the development of a support system for immigrant youth in the educational, social, health, family and criminal justice areas. Since its inception, several projects have been initiated and hundreds of immigrant youth and their families have been helped through the programs. Youth Impact has a diverse funding base ranging from the United Way, corporate donors and grants from the three levels of government. The annual budget is approximately \$150,000.

David has 15 years of experience and is the founding executive director. He came into the role with no experience as an executive director. He was the first employee of the organization and remained the only employee until recently. David has broadened his experience by learning from board members with backgrounds in business, education, health care and policing. He now supervises four staff.

Nonprofit Organization 5 - Point Source for Children. Nancy, Executive Director.

Point Source for Children is a family-centered, community-based, central access point of information for families of children with special needs in the Calgary Rocky View Region. The organization provides a unique service in the province by being the central point of contact and referral for families seeking services for children with disabilities. Point Source formed to address the need for a community-based, single-entry resource service to parents of children with disabilities that would assist with needs identification, provide information about resources and referrals, support parents in meeting the needs of their child, and advocate for the child and family.

Formed in 1997, Point Source has two formal partnerships with major disability serving agencies in the city. Major funding comes from the Calgary and Rockyview Health Regions as well as from a collective of small business people. This collective of 19 business people run a chuck wagon racing team that generates revenue for charitable activities in Calgary. Donations from this group cover nearly 25% of the \$300,000 annual budget required by Point Source.

Nancy has eight years of experience and is the original executive director of the organization. While she came with some management experience, she had no background in being an executive director. Forming the funding relationship with the group of business people has brought her considerable information on financial management, fundraising, and event management. Her ability to work with the other organizations that Point Source refers parents to, is considered a primary skill.

Nonprofit Organization 6 - Destiny Child Care. Andrew, President and CEO.

Destiny Child Care has a history of success in helping children that goes back to 1943. The organization's experience covers a full range of disabling conditions whose severity can vary as well. The organization works to make a positive difference in young lives that have been touched by difficulties at birth, illness, childhood accidents, genetic conditions or prenatal problems. Destiny believes that every child deserves a chance to reach for and achieve his/her full potential. Working with the child, family and community, Destiny provides the opportunity to build foundations that will last a lifetime. To accomplish this, Destiny Child Care has developed a number of specialized educational and therapeutic interventions involving staff from a variety of backgrounds including, teachers, nurses, speech and language pathologists, physiotherapists, occupational therapists, a music therapist and psychologists. Destiny also provides outreach, educational and therapeutic consultation services to children who are enrolled in various childcare centres or day homes throughout Calgary.

Andrew has been the President and CEO of Destiny from more than 10 years, having previously worked for the provincial government. Working with nearly 80 staff, Andrew bases his management style on 12 organizational values statements. With an annual budget of about \$3.4 million, Destiny has Alberta Learning cover over 70% of operating costs. Donations and fees each amount to about 8% of the operating costs. The remaining funds come from the United Way and other areas within government.

Nonprofit Organization 7 - The Gallery. Vanessa, Executive Director.

The Gallery is a public art gallery dedicated to exhibiting contemporary art. The Gallery has been part of Calgary's cultural life for over 25 years, and is one of Canada's largest non-collecting contemporary art galleries. The Gallery operates from two heritage buildings and offers between 12 and 15 major exhibitions each year that showcase works by emerging and established Calgary artists; works by leading Canadian artists; and traveling exhibitions from prestigious institutions such as the National Gallery of Canada and the Winnipeg Art Gallery. In 2005, it had an annual operating budget of \$2,969,480.

From hands-on art activities and video screenings to gallery tours and artist talks, The Gallery offers interactive public programs for all ages. The Gallery provides Calgarians with the opportunity to meet the people behind the art and investigate current cultural issues. The Gallery's art education programs are available for school groups from Kindergarten to Grade 12.

Vanessa was appointed to the position of Executive Director of The Gallery in April 2004. She has over 10 years of senior management experience in large nonprofit organizations and two years as executive director of a corporate foundation. She is one of the few Canadians to hold a Masters Degree in Nonprofit Management from McGill University.

Nonprofit Organization 8 – The Community Gives. Tom, Senior Grants Officer.

Founded in 1955, The Community Gives is a “public foundation that connects donors and the broader community by assisting donors in reaching their charitable goals”. Donations, most endowed in perpetuity, are invested and the income from the investments is given back to the community in the form of grants. The Community Gives provides grants to support organizations in the areas of:

- Arts and culture,
- Human services,
- Education and lifelong learning,
- Environment and animal welfare
- Health and wellness, and
- Neighborhoods.

The Community Gives encourages and supports dialogue on issues affecting the community. It sees itself as a catalyst for positive change. Currently, The Community Gives has financial assets valued at approximately \$265 million. For the year ended March 31, 2005, the Community Gives made grants of \$25 million to 515 registered charitable organizations in Calgary and area.

Tom has been with The Community Gives for five years and is the senior granting officer responsible for the oversight of the granting process and priorities. His background includes significant fundraising experience within the nonprofit sector, most recently at a major post-secondary institution.

Coding the Data

Consistent with the grounded theory approach (Glaser & Strauss, 1967), coding consisted of examining data and identifying similarities that were pulled together and identified as concepts. The iterative process of asking or observing individuals engaged in the nonprofit sector, coding, and categorizing continued throughout the period of field

research. Central to the process of sorting, coding and making meaning of the data is “memoing”. Glaser (1978) is intent on getting researchers to interact thoughtfully with the data and emphasizes the process of memoing to support the creative interaction between researcher and data:

The *core stage* in the process of generating theory, the bedrock of theory generation, and its true product is the writing of theoretical memos... *Memos are the theorizing write-up of ideas about codes and their relationships as they strike the analyst while coding...* Memo-writing continually captures the ‘frontier of the analyst’s thinking... (p. 83, emphasis in original)

Addressing researchers, Strauss and Corbin (1998) also stress the importance of the researcher’s thinking and interpretive process:

We want readers to understand what we say, to understand why they are using certain activities, and to do so flexibly and creatively. We want them to question, to be able to easily move from what they see and hear and to raise that to the level of the abstract, and then to turn around again and move back to the data level. We want them to learn to think comparatively and in terms of properties and dimensions, so that they can easily see what is the same and what is different. The importance of methodology is that it provides a sense of *vision, where it is that the analyst wants to go with the research.* (p. 8, emphasis in original)

For interviews with senior administrators, a focused interview process (Merton & Kendall, 1946) was considered the most appropriate approach for four reasons. First, the focused interview engages people who have been involved in a particular situation. In the research this meant that senior administrators with the responsibility for ensuring the sustainability of the nonprofit organization were selected because they had direct personal experience with operational and strategic aspects related to sustaining his/her organization’s activities. Second, the focus interview questions emerge from situations that were analyzed prior to the interview taking place. In the research, this was a particular challenge because grounded theory demands that researcher judgments and foreknowledge be suspended. Given my experience and ongoing role in the nonprofit sector, I have access to information that could influence the interview process. It is also apparent that the interview has to be about something that senior administrators view as

substantial for them to agree to participate in the research. A balance was struck by creating broad areas for discussion known to be of high importance in the nonprofit sector (e.g., sustainability, civil society, perception of the nonprofit sector) rather than specific operational-level questions. This allowed the interview to be both focused and unrestricted since within those broad areas the conversation that resulted could range wherever the participant wanted. Third, the focused interview proceeds using an interview guide. Based on the broad discussion areas, the interviews emphasized open-ended questioning, clarification, and encouraged the participant to explain his/her perspective as fully as possible. Each participant was given sufficient time and latitude to respond completely. Finally, the focused interview seeks experiences, attitudes, and emotions of the participant associated with the discussion areas. Participants commented that the interview was helpful in giving them the opportunity to express his/her opinions, frustrations, successes and so on. Many indicated that they did not have the opportunity to reflect on his/her work and experiences prior to this research. As a result, the research tapped into a wealth of experiences, attitudes, and emotions that participants willingly, even eagerly, shared.

Glaser (2001) has expressed concerns that grounded theory as a research method, could be jeopardized by overly scripted interviewing. At its worst, “this format for interview would stifle theoretical sampling and stop it dead in its tracks... Especially with uniform coverage” (Glaser, 2001, p. 172). The concern being expressed by Glaser has more to do with structured interviewing, where the same questions are asked in a set time period of every participant; where the interviewer controls the pace and treats the questions like a script; and where the interviewer remains neutral, never interjecting his/her comments on the respondent’s answers (p. 172). This is a principle reason I adopted an interview style that is less structured and permitted me the opportunity to understand the interviewee’s point of view.

A Discussion on Grounded Theory

Weiner (1990) points out that there is confusion over what constitutes ‘theory’ in grounded theory. “Grounded theory” as conceptualized by Glaser and Strauss (1967) is not a theory in and of itself but rather an approach to produce theory from qualitative data gathered through fieldwork with those engaged with the social phenomenon being investigated. McNabb (2002) states that, “the primary objective of grounded theory research is to *develop* theory out of the information gathered” (p. 302, emphasis in the original).

The name “grounded theory” refers to the outcome of using the methodology. When first conceptualized, grounded theory was offered as an epistemological argument for the legitimacy of knowledge grounded in the individual and therefore idiosyncratic experiences of everyday life. Grounded theory methodology and procedures,

...are now among the most influential and widely used modes of carrying out qualitative research when generating theory is the researcher’s principal aim. This mode of qualitative study has spread from its original use by sociologists to the other social sciences and to practitioner fields, including at least accounting, business management, education, nursing, public health, and social work. (Strauss & Corbin, 1997, p. vii)

Three other characteristics of grounded theory are the processes of induction, deduction and verification. Induction means that the researcher enters the research with a ground-up approach moving from practice to theory. The field research should be conducted with no preconceived hypotheses from the literature or from anywhere else. The researcher should be open-minded and flexible so that the theory emerges from the data (McCann & Clark, 2003, p. 9). In grounded theory, data have primacy which means that the researcher must be immersed in the data, culture and setting of the inquiry. Such immersion leads to a conceptual density and ‘thick description’ of categories being constructed on the way towards generating a grounded theory. The verification of the concepts and categories being developed happens when there is saturation in the data, meaning that new data being gathered no longer generates new concepts. The resulting

theory can be tested by allowing predictions coming out of the grounded theory to be tested deductively.

There are two main complications of using grounded theory based on the original work of Glaser and Strauss. First, since 1967 Glaser (1978, 1992, 1994, 1998, 2001, 2002) and Strauss in collaboration with Corbin (1994, 1997, 1998) have taken different paths to explain what was meant in the first articulation of the approach. The second complication is that there is widespread “procedural orthodoxy” (Piantanida, Tananis & Grubs, 2004, p. 329) pertaining to how grounded theory is carried out. In particular, the schism between ‘Glaserian’ or ‘Straussian’ approaches to grounded theory was identified by Charmaz (2000) who summarized a number of studies claiming to be from one or the other school of grounded theory.

While grounded theory is a systematic approach towards theory generation from qualitative data gathered in the field, there is no suggestion by either Glaser or Strauss and Corbin that the procedures used are predetermined and inflexible. Indeed, both emphasize the importance of methodological flexibility. Glaser and Strauss (1967, pp. 8-9) wrote,

Our principal aim is to stimulate other theorists to codify and publish their *own* methods for generating theory.... In our own attempt to discuss methods and processes for discovering grounded theory, we shall, for the most part, keep the discussion open-minded, to stimulate rather than freeze thinking about the topic.

Strauss and Corbin (1998, p. xi) again affirm the original principal of flexibility when they wrote,

This is *not* a recipe book to be applied to research in a step-by-step fashion. Our intent is to provide a set of useful tools for analyzing qualitative data. We hope that... readers will come to realize the fluid and flexible approach to data analysis provided by this method. [Emphasis in original]

Charmaz (2000) offers the following description of the essence of grounded theory that guided the research carried out for this thesis:

The rigor of grounded theory approaches offers qualitative researchers a set of clear guidelines from which to build explanatory frameworks that specify

relationships among concepts. Grounded theory methods do not detail data collection techniques; they move each step of the analytic process toward the development, refinement, and interrelation of concepts. The strategies of grounded theory include (a) simultaneous collection and analysis of data, (b) a two-step data coding process, (c) comparative methods, (d) memo writing aimed at the construction of conceptual analyses, (e) sampling to refine the researcher's emerging theoretical ideas, and (f) integration of the theoretical framework (pp. 510-511).

Grounded Theory as an Interpretive Method

Grounded theory draws on symbolic interactionism (Blumer, 1969; Mead, 1964) which explores the interaction between people's social roles and behaviors. The interaction is symbolic because the processes involved use symbols, words, interpretations and languages (Denzin, 1989). As groups of people interact with one another these symbols are integrated and generalized into concepts and theories (Stern, 1992). A branch of interpretive research, symbolic interactionism seeks to elicit and understand the way that meaning is derived in social situations (Schwandt, 1994, Stern, 1994). The underlying assumption of grounded theory is that "people make sense of and order their social world even though, to the outsider, their world may appear irrational (McCann & Clark, 2003, p. 8). Researchers using the grounded theory approach base his or her inquiry on the assumption that a group shares a common social problem that is not always articulated by the group (Hutchinson, 1993). The initial aim of the research is to identify this problem (McCann & Clark, 2003, p. 8). In other words, to theorize, the researcher must be able to bring a conceptual perspective to the idiosyncratic nature of the individual and group experience of the problem.

This is the important contribution of grounded theory because as Glaser and Strauss (1967) remind us, concepts as abstracted from the data, are the building blocks of theory. The process of grounded theory as set out by Charmaz (2000) above, provides interpretive researchers with a disciplined approach for both generating concepts from the data and describing the relationships among the concepts towards generating a grounded theory. Piantanida, Tananis & Grubs (2004, p. 335) write that, "It is the researcher's

portrayal of these conceptual relationships that constitute a grounded theory”. Furthermore, they add, within an interpretive epistemology, “such grounded theories are understood to be heuristic, not predictive, in nature” (p. 335). Stated differently, the interpretive researcher using a grounded theory approach probes the ‘contextual nuances’ interpreted by the researcher in concert with others. This type of engagement suggests that together the researcher and the ‘subject’ make sense of life explored through the research question. Seen this way, the personal perceptions of organizational life lose their idiosyncratic and relativistic character and become shared knowledge - intersubjectively created and valid (Habermas, 1981). The ontological understanding of knowledge as a human construct generated discursively within social contexts undergirds grounded theory. Piantanida, Tananis and Grubs (2004, p. 336) summarize these thoughts:

This... provides an interpretive logic that views theoretical sensitivity/wisdom not as a methodological technique or strategy, but rather as a way of *being* in the inquiry, a state of mind that strives to be as fully and completely attentive as possible to the phenomenon one wants to understand.

Quality of the Grounded Theory

When Glaser and Strauss (1967) formulated grounded theory as a methodology emphasizing practical theory development in social inquiry, they proposed the concepts of *fit*, *work*, *relevance* and *modifiability* as the criteria for judging the quality of resultant theory. Assumptions about truth and validity of the resulting theory were at best a secondary issue because the ontological and epistemological premises for sociological research at that time were taken for granted. Each of the four concepts, while closely internally related, has specific meanings:

- *Fit* intended that the categories should emerge from the data and not be selected from a pre-established theoretical position.
- *Work* meant that the emergent theory should be able to explain, predict and interpret what was taking place in the area being studied.

- *Relevance* meant that the emergent theory should be relevant to actions in the area it claimed to explain, focusing on core problems and processes.
- *Modifiability* meant that the emergent grounded theory could change as new data emerged thus generating qualifications to the theory.

While Glaser and Strauss intended these concepts to be at the same epistemological level, *fit* is foundational to the other three (Lomberg & Kirkevold, 2003, p. 191).

Annells (1997) recommends that researcher using the grounded theory approach consider the inquiry focus, practical issues, the inquiry paradigm and the product of the research. She also recommends that the researcher consider the concept of reality, truth, and validity of their research and the grounded theory that results. Inspired by social constructivism, grounded theory is currently viewed in either the light of postmodernism or poststructuralism. To begin my consideration of reality, truth, and validity I started with a review of the tenets of social constructivism. There is no one description of social constructivism as it has grown out of and continues to be influenced by a number of different schools of thought. Those looking at social constructivism such as Schwandt (2000), observe a continuum of that ranges between weak/moderate and strong/radical positions. Others such as Burr (1995) looking for points of commonality along the continuum note that all positions on social constructivism share the following:

1. a critical stance towards taken-for-granted knowledge;
2. historical and cultural specificity;
3. believing that knowledge is sustained by social processes; and
4. believing that knowledge and social action go together (Lomberg & Kirkevold, 2003, p. 196).

Social constructivism holds that truth is constructed at the individual and collective level; that there are multiple 'truths' that are not fixed and therefore objective facts do not exist. In effect then, what people believe to be true is situational, dependent on the individual, and impermanent.

Charmaz (2000) extends the constructivist perspective when comparing truth and reality. For her, the “constructivist approach does not seek truth – single, universal, and lasting. Still, it remains realist because it addresses human realities and assumes the existence of real worlds” (p. 523). Thus, the product of grounded theory research – the grounded theory – does not constitute the reality of the ‘subject’ engaged in the inquiry. Rather, the grounded theory, generated by me as the researcher from the texts of senior administrators, is influenced by my worldview and my definitions and understandings of the situation within which the inquiry took place. Social reality is a human construct such that, “a grounded theorist constructs an image of *a* reality, not *the* reality – that is, objective, true, and external” (Charmaz, 2000, p. 523). The categories and the concepts developed along the way to producing a grounded theory, should be consistent and preserve the imageric content of the experience of senior administrators thereby “composing a story” (Lomborg & Kirkevold, 2003, p. 195).

Implications for Fit

The consideration of a social constructivist epistemology and ontology bears on the important idea of *fit* as the way in which the grounded theory that is produced from the research corresponds to social reality. Social reality as discussed above is an image of reality, a construction, and not *the* reality in an ultimately objective, true, and external sense. Lomborg & Kirkevold (2003) build on Charmaz (2000) to state that *fit* should emerge from the data, preserve images of experience, and compose a story. The test for *fit* of a particular grounded theory is that the story (i.e., the grounded theory produced by the research) when retold to other senior administrators, in my case, would make sense and would resonate with their experiences. Therefore, the test for validity in the social constructivist perspective is that the grounded theory that I produce from the research fits with the subjective reality of other senior administrators of nonprofit organizations. Furthermore, that my grounded theory is a quality theory not only because it *fits* but also because it *works*, has *relevance* and is *modifiable* as defined above.

Summary

Grounded theory was selected as the research method to understand sustainability issues affecting the nonprofit sector. Through a variety of approaches, data was gathered and then coded to begin the process of identifying categories towards creating a grounded theory to describe the actions and reactions being taken by nonprofit organizations to be sustainable. To be a quality theory, the grounded theory research must demonstrate fit, work, relevance and modifiability. My background within the nonprofit sector is important in both gaining access to information and participating in conversations with senior administrators of nonprofit organizations. My background was also something that needed to be suspended within the grounded theory approach to leave the discussion unrestricted and open to whatever path the senior administrator wished to follow.

CHAPTER FOUR: PERSPECTIVES ON SUSTAINABILITY

The senior administrators of Calgary-based nonprofit organizations that participated in the interviews conducted as part of this research provided perspectives on themselves, his/her organization, and the community within which his/her organization operated. Each held a different viewpoint on the topic of sustainability and based on that viewpoint, reflected on issues both internal (e.g., operational) and external (e.g., regulatory) that spoke to how his/her particular organization was ensuring that it remained viable into the future. For some, the future was viewed with a sense of hopeful optimism while for others the future was an unknown that evoked a more fearful response. Those that held a more positive view of the future were cognizant of the challenges facing his/her organizations but were able to articulate ways in which his/her past organizational experiences and sense of purpose, as expressed through a mission or vision statement, could be brought to bear to find creative solutions to pending and anticipated problems. Senior administrators with this perspective saw his/her organization as growing, evolving or adapting in certain ways to respond to whatever opportunities presented themselves. The knowledge of how to respond to challenges and successfully overcome them, gives senior administrators strength and endurance which transfers to the organization as it anticipated future challenges. On the other hand, those that held a more tentative or pessimistic view of the future, saw his/her organization as lacking in the skills, ability or interest to position themselves in such a way as to anticipate developments and establish contingencies. These organizations did not seem to be able to integrate experience and expertise with the organization's mission or vision statement in such a way that a sense of hopefulness about the future resulted. Instead, disconnected concerns, an uncertain sense of what the organization was contributing to the community and a focus on what was lacking undermined the executive director's confidence in his/her organization's ability to be sustainable. Perhaps of most interest is that participating senior administrators did not fit perfectly in one or the other camp. Those that were mostly optimistic also carried doubts about the future just as those where

were pessimistic held onto some hope for a positive outcome. That there are not two clear cut categories of nonprofit organizations – those that see themselves as sustainable and those who do not – makes this research compelling in that it strongly suggests that the seeds of hopefulness and hopelessness are planted in every nonprofit organization and that some kind of change in circumstances will cause one or the other to take root and flourish.

It is worthwhile to explore briefly the way that the comments of senior administrators contain the dual sense of the future mentioned above. The position of executive director, the most common senior administrator role of those interviewed as part of this research, is unique. Seel and Angelini (2004) identified five ways in which the executive director position is unique in a nonprofit organization:

1. It is the most senior level management position within which the board of directors of the nonprofit organization invests the responsibility and accountability for the operational dimensions of the organization;
2. It is a position that is isolated with the individual in it the focal point for staff, the board of directors and the community seeking action;
3. The personal characteristics of the executive director are a key determinant for the organizational culture of the nonprofit organization;
4. The investment that an organization makes in an executive director is very large especially for small nonprofit organizations so that when an executive director leaves, the nonprofit organization faces a significant, possible devastating, challenge to its continued operations;
5. Intrinsic motivators such as belief in the cause and a high value on interpersonal relationships are the primary reasons for the executive director to remain in the position. Loss of these two components of job satisfaction is likely to trigger the executive director to consider other employment.

The perspectives that the senior administrators shared during the research are rooted in these and a wide range of other perspectives associated with the position. For example, the National Learning Initiative (Association of Canadian Community Colleges and The

Coalition of National Voluntary Organization, 2003) clearly identified four levels of knowing and relating that occur for those in leadership positions in the nonprofit sector:

- self knowledge;
- organizational knowledge;
- community knowledge; and,
- global knowledge.

Each of these four levels contained elements of understanding, learning, ethics, articulating values and the wisdom, acumen and the ability to intuit future needs and directions. The perspectives that appear in the sections that follow come from a variety of viewpoints that the senior administrator could hold simultaneously during the interview about his/her organization. The knowledge of their own beliefs about management or community relations combined with the knowledge of how the organization operates and with the knowledge about the community and the larger world. Commonly referred to as the many ‘hats’ senior administrators wear, these perspectives flow during the conversation without the person identifying which ‘hat’ they are wearing while making the comment.

Comments on ‘Perspective’

Before examining the emergent theoretical categories, a brief examination of the word ‘perspective’ is relevant as it is a term that in itself suggests something important about what is being said. The Oxford English Dictionary has a number of definitions for the word of which three stand out as relevant for this research. First:

The relation or proportion in which the parts of a subject are viewed by the mind; the aspect of a matter or object of thought, as perceived from a particular mental ‘point of view’. Hence the point of view itself; a way of regarding (something).

This definition highlights the particularity of the point of view. Intuitively we know that where we stand to view the world – a viewpoint – determines what will be seen. The particular place taken to view the subject determines what we attend to. So

while traveling along a scenic highway when we encounter a viewpoint we pull off to attend to a particular vista deemed important by the builders of the highway. That one site was chosen over another determines both what we take in and how we see it. Likewise, a senior administrator has many possible viewpoints from which to view his/her organization during a conversation about sustainability. Where the senior administrator stops to give us his/her perspective determines the story we will be given during the interview. For example, if a senior administrator was frustrated by the lack of sufficient finances to hire the staff they need, the senior administrator may present the perspective that the organization is a place where people may be overworked, stressed and where resources do not exist to staff services to a reasonable level. At another time, the same senior administrator may see himself or herself as a leader inspired by the mission or vision of his/her nonprofit organization and present the perspective that the organization is making significant changes in the community – quite a different perspective of the same organization. This definition of perspective, therefore, reminds us that when we read the texts below, that the senior administrator's comments come from an unidentified point of view held at a particular point in time.

The second definition of perspective that provides insight is:

A mental view, outlook, or prospect, especially through an imagined extent of time, past or (usually) future....

This definition reminds us that the viewpoint being expressed exists in time. The effects of past or present experiences of the senior administrator are not known to us. For example, we do not know if an experience has framed how the senior administrator views the future sustainability of his/her nonprofit organization. Furthermore, the interviews were such that the historicity of each statement or point of view was not examined. The National Learning Initiative study mentioned above noted that in the nonprofit sector, people in leadership positions such as senior administrators, exist simultaneously at all levels of awareness (self, organizational, community, global). To be a senior administrator, one must have considerable experience and one must be able to address and work towards the future as expressed by the nonprofit organization's mission and

vision statements. This definition reminds us that the comments we read are embedded in time and carry with them certain expectations premised on experience.

For me the third definition, while an obsolete use of the word perspective, is most engaging and topical for grounded theory research:

The action of looking into something, close inspection; the faculty of seeing into a thing, insight, penetrativeness.

In this sense, perspective is the gift of insight that senior administrators are providing into the broad topic of sustainability of nonprofit organizations. The comments of the senior administrators represent both research data and moments of personal reflection on the topic. This definition reminds us that research is about looking into something, in this case looking into sustainability through the viewpoints of the senior administrators themselves. It also reminds us that the very act of seeing is not just for me as the researcher, it is also for the senior administrator who through the conversation is made aware of his/her insights and ability to penetrate the topic of sustainability.

My own process of reading, reviewing, clustering and eventually generating the theoretical categories of a grounded theory of sustainability was difficult until I came to understand that multiple perspectives on the same question or organization could be held without contradiction. I found that I could classify and code the information in the texts of the interviews more ably once I understood that the senior administrator's perspective could change during the interview. What at first appeared to be contradictions are better seen as different points of view held by the senior administrator. Again, depending on the point of view the senior administrator was taking, a different picture of the nonprofit organization was presented. Initially I was trying to reconcile what were apparently contradictory statements by the senior administrator because I had assumed that each senior administrator would have a single point of view on the topic of sustainability.

Until I asked myself what perspective I was taking in interpreting the texts, I could not see nor articulate the different themes that threaded through the conversations. Only when I drew on what was meant by 'perspective' could I see that what senior administrators were saying came from many different viewpoints. The definitions given

above became the reminders to me that what was said related parts to the whole, existed in time and provided insight.

Theoretical Categories

Seven theoretical categories emerged after reviewing the texts of the interviews with the senior administrators of the nonprofit organizations participating in this research. The dimensions within which the perspectives of senior administrators are to be understood create the framework within which the grounded theory of sustainability is to be crafted. A central notion implicit in the definitions of perspective is that of self (e.g., the organization, the senior administrator), other (e.g., other organizations, the community, funders, and the world) and the interface or boundary between them.

The seven categories that emerge from the constant comparison of memos and text are:

1. Risk – as represented in subcategories of an over commitment of people; viability; message control; exodus of members, exodus of talent, and power.
2. Learning Organization – as represented in subcategories of critical thinking and using resources in new ways.
3. Sustainability – as represented in subcategories of not being sustainable; diversification of funding; sustainability as a value; market ventures; and responsiveness to community needs.
4. Credibility – as represented in the subcategories of perceptions of agency activity, governance volunteers building reputation, consistent core staff; and evaluation.
5. Relationships – as represented in the subcategories of fear and competition, and connecting with specific groups.
6. Organizational Uniqueness – as represented in the subcategories of agency uniqueness, market uniqueness; and values.
7. Ethics – in terms of an organization’s responsibility to the community.

In reading the excerpts from the interviews below, I find that the themes weave between the categories and subcategories. The categories of risk, relationships and ethics, for example, coalesce at certain times such that one quotation contributes to our understanding of each of these categories. In the interest of providing many different viewpoints on the categories, I will use different excerpts from the interviews. At the beginning, though, I do recognize that, as they should in grounded theory work, the examples from the interviews could appear under more than one category. For example, while “risk” and “credibility” are separate categories, there situations where one of the risks being faced could undermine a nonprofit organization’s credibility.

Within each of the theoretical categories are subcategories. The subcategories are smaller scale clusters of related observations that were “rolled up” into seven theoretical categories. I have retained the detail in the sections below, to demonstrate how information from the texts come together inductively through the constant comparison method within grounded theory. Presented below are the theoretical categories and subcategories.

Risk

Risk as seen by senior administrators has a number of different faces, each in its own way highlighting an aspect of the organization that could lose resources or the capability to operate. Within the theoretical category of risk, the areas of concern are represented in the subcategories of over commitment of human resources; threats to viability, message control, exodus of talent, exodus of members and expressions of power.

The Over Commitment of Human Resources

With limited resources to pay for staff time and salaries significantly below either the private or public sector, nonprofit organizations are concerned with the consequences of over committing and overextending employees and volunteers. In practical terms what

this means is that in order to keep up with the demand for services, staff may be asked to or even wish to put in far more than a normal day's work. Over the long term, the result is exhausted staff and a reduced ability to deliver the range and quality of services that the organization has committed itself to do. One executive director expressed his concerns about over commitment this way:

DAVID: We take the next logical step to the point now where people say, 'you should double'. I think as an organization we are very careful about collapsing, growing too fast.

In smaller organizations the person most likely to overextend themselves is the executive director, so sustainability means in part that this individual has be able to delegate to others or decline opportunities that would increase his/her work load.

DAVID: I sort of, I have mentioned to the organization that I'll get involved but I cannot run with the ball. When Youth Impact, when I started, I said, "Okay I will take the ball and run with it", I have been running with it. So any of the major proposals, any of the whatever it is, it is myself that is actually going out to everybody to do it. So right now I have decided that if they decided, somebody else has to take the ball and run with it.

Nonprofit organizations that understand the risk of overextension of human resources, particularly with the executive director role, are reflective about the balance between meeting service delivery demands and maintaining a healthy workplace.

DAVID: You know, am I doing what they wanted me to do and I am not doing justice to them? And I am not doing justice to our clients too, which you know they are probably depending on me to do whatever. So it is a fine balance... And I think you know, it's part of my personality, it's part of my board too. That's why we work well together, we are very careful people, so it takes us a while to make a decision... so that is why when we make a decision, they say, "Gee David, why did it take us so long to make a decision?" its because we are making sure that everything is right before, it is very important, before we jump in to make it happen.

Nonprofit organizations that do not pay attention to the results of overextended human resources present a very different view. Morale appears to drop and a cycle of excitement and collapse deepens as new people are brought in and soon find themselves exhausted. Once they leave, the cycle repeats. Actions to bring new people into the organization lose focus and an attitude of resignation to the growing sense of hopelessness creeps in. In small nonprofit organizations where there may be no staff, volunteers especially those serving on board of directors are particularly susceptible to this cycle of burnout. (Only 46% of nonprofit organizations in Canada have the resources to employ staff (Statistics Canada, 2004)). For example,

JANET: *I have worked with a lot of different volunteer organizations and it seems like they are always on this roller coaster. You get a new board and they are gung ho and work really hard and then no body will help them and then they get burned out and then it sort of goes down hill and then everybody is moaning and groaning but not doing anything just moaning about the board and then they elect a new board and they are gung ho... they are going to do things differently and then it picks up again.... It just seems to be a phenomena with volunteer organizations.*

Threats to Viability

Senior administrators focus on the viability of his/her organization, its activities, services, events, and as a whole. Some consider the challenges and plan for ways to ensure that the nonprofit organization can continue as is or even grow and expand. Some senior administrators resign themselves to closing down aspects of his/her organization that no longer function properly.

Faced with the complexities of remaining viable – having the finances to undertake mission-related activities, providing services that the community wants, having a positive attitude about the future and so on – senior administrators of some nonprofit organizations conduct mental “what if?” experiments. These serve to integrate a range of possibilities into a purposeful sense of action, and they serve as a way of mitigating risk

to the organization. By thinking about worst-case kinds of scenarios, senior administrators create for themselves a set of new perspectives from which to view his/her organization and build towards the future they wish to see.

DAVID: *You know, Youth Impact, I guess we have been kind of lucky in the past few years to get corporate support. But you know what, think about, let's say in the next few years we don't get the corporate support, we might say "well, immigrant youth are not the flavor of the day, we're moving on to seniors now". And it happens. I can visualize some of the struggles we would go through. We are lucky to have an extra little pocket of money that will come in, that's you know, undesignated or something, if we have to pay someone a little more we have a chunk of money that we can work with, that we can funnel.... If we didn't have that, the challenges would be enormous. It would be like, okay, so you don't have the extra money so what do you do? Do you take from your organization? If we are going to cut this part to pay for this part, or what ever, we'd ask people, "Now you are getting less of the thing but we expect you to do a lot more." It is sort of the Alberta attitude in some ways, you know, here is less but do more.*

And,

VANESSA: *A lot of time what I start thinking about when I am in any organization is how long can the revenue stream that we currently have exist as everything shifts in and around you? So, when staff change, when corporations change their giving patterns, the aging demographic of individuals in Canada, what is that going to mean? Who are they going to give to and why are they going to give to a certain charity? Many times it seems like a real, you know, hard, hard question to ask because there is so many things out of your control that are going to change.*

This kind of reflection also seems to generate in the senior administrator sensitivity to the risks of a particular activity not working out as anticipated.

DAVID: *And if you need to take a loan out on the money, you are paying interest on it and a lot of times nonprofits too, they keep in mind that I am governed by a volunteer board of directors so I have twelve volunteers who are volunteers. So that they are at risk too. I haven't read the guidelines but I am pretty sure that they are at*

risk too. So that if your venture loses ten thousand dollars and there is not the money to cover it then everybody will have to chip out. So how many.... So I would not want to be a board member if there is a risk of me having to chip out money.

And,

TOM: *I guess [there] is the reality that nonprofits have to face and that's if you can't pay for it, if you can't get the funds or whatever, it may be something you have to cut. The sector has this habit of wanting to hold on to everything it does and that might not be realistic. The worst place to be, because no funders will support you, is in a deficit and trying to do deficit fundraising. Why would a funder want to pay off an organization's debt? I don't think any would any more. So some nonprofits might have to close services or programs if they can't get the support they need.*

JANET: *...well the dances are the only thing that is causing us problems because they are losing money now. I'd say that by the end of the year we would have to decide whether we are going to close them down or whether we are going to go on....*

Senior administrators also took a very pragmatic view of viability. If the people or resources were not present, the work of the organization could not continue. For some this creates a 'chicken and egg' scenario where the choice of what resource (e.g., people, money) is needed first has to be considered. Situations where acquiring one resource (e.g., a talented person) can leverage other needed resources (e.g., money) suggest a more thoughtful approach to long-term sustainability.

CYNTHIA: *Without that funding we don't have any staff. That was a problem in the past, we had no staff at all. Having me here I get to fund raise every day. One of the things we use is called Give on Line, a big database of funders and corporations interested in giving to charities. We just type in what you want and what kind of organization you are and it kind of pulls up the people that are like interested in sponsoring children or people that are related to nutrition and we apply to those. So we get a large amount of funding out of that as well and that is just solicitation one after another. Last year on line we pulled in about twenty two thousand dollars and this year we have only done fifteen hundred so far but*

it is early so we are probably expecting about the same. So that is kind of how we do our fundraising here.

Competition either in the form of similar services seeking to draw from the same pool of people or in terms of events competing for people's time and money is a challenge faced by many organizations. From the perspective of many senior administrators, a competitive attitude has emerged. This has resulted in a situation where particularly lucrative opportunities are rapidly populated by other nonprofit organizations seeking to take advantage of the flow of resources. To this point:

SUSAN: *I think there is certainly a trend in this market place that we see much more pressure on our special events sales. 'Cause our event was probably the first of its kind and was kind of the grand daddy of big parties. Now there is 12 of them every weekend. So as the other sectors have got more into the special events theme, it does deplete the earnings on each event. So, there is more competition for it.*

JANET: *Well over the years in the One to One we definitely have more competition. We were the only singles council in the whole of Canada when we started back in 1978 that was a nonprofit. We offered counseling at that time, we had no opposition, and then gradually a few of the churches got in programs for single people and then there is another singles organization in Southwest Calgary for people over 55, and now we have, which is growing huge, the volunteer singles... So we have a whole lot more competition now apart from the fact that there are a certain number of people that join our organization and the whole purpose of them joining is to find a partner.... So we have a lot more competition but I still see it as a viable organization because you can do a lot of things and meet a lot of people without spending a lot of money. There are a lot of women and a few men that don't have a lot of money that is the circumstances of their life at that time. But those are the people that need to get out and meet somebody... at least those not in as miserable position as you are. In my opinion that is what a lot of people need. It is some place to meet.*

VANESSA: *I think that a lot of organizations have real trouble thinking outside the box and I'm using that loosely. But just thinking about the work that they do in a real holistic way that it is more than just your program, you know, that they can clearly articulate outcomes and outputs. But in terms of how all that feeds together and makes you a part of the community sometimes they don't really get that. And I see that in certain sectors there is a lot of competition instead of collaboration and partnership and business uses one another to compete and leverage and they do that very well and nonprofits don't do that well and that's how they end up getting into a lot of problems.*

To be viable is to remain open to opportunities that can generate some kind of support for the nonprofit organization. Senior administrators that consider future opportunities have to be able to critically assess each opportunity and weigh the risks to his/her organization.

DAVID: *The thing that I am thinking is let's say you open an Arbi's and it raises you twenty thousand dollars a year, but it is a lot of work, the good thing is that you employ a lot of people and so on, but twenty thousand probably won't even pay for even a full time employee. You may need to generate two hundred thousand and it is not an easy thing to take twenty thousand profit from any business.... Or if you lose money for the first few years, let's say you lose ten thousand, five thousand, where is that coming from? Maybe you have to wait a few years before you get the return on it. How many organizations can take a five or ten thousand dollar loss for a few years? You know, where do you get that money?*

The ability to critically assess opportunities is also evident when senior administrators reflect critically on past decisions made by a previous senior administrator and board:

VANESSA: *Ah, we have to be, as I say, really creative in developing our revenue stream so that we can sustain that and at the same time ... I am working on working with the government at all levels... federal, provincial, and municipal to say, "Yes we receive [inaudible] funding which is programming money, but not operational money and the two are quite different". And the city is quick to say "Well you get your programming money. That's the money you get from the city." We're saying, "No, that is not the money we get from the city to put the roof over our head or*

whatever”. And at first it was the cart before the horse because as soon as they bought the building here, they were put in the position to sustain that building, but maybe didn’t have a back up. And I think that is why the organization is in such a financial crunch because they were maybe two steps ahead of their planning... Huge renovations happened on one building and then “Oh God, we can get the other building, let’s do the other building as well,” and saw another renovation done to put the two buildings together and result in this gallery.

A director of a public library system contacted to comment on the theoretical categories after the formal interview stage of the research, relayed the story of how different library systems were responding to an unexpected infusion of \$20 million to libraries across the province.

Libraries are getting Library Service Grants totaling twenty million dollars over two years. Lots of libraries are asking themselves what the risks are of accepting and spending the new money. They are stuck weighing taking the money and taking new responsibilities coming from the programs the money will pay for. They are really stuck because they don’t know how to fit the new money into their operations in a way that they can keep new programs going after the money is spent. Our board has a long term vision. We don’t see a risk in taking the money. I mean, we are stewards and trustees and this new money just shifts the timeline of how our municipal grants are spent. For us, the new money means we get to bank the municipal grant to spend three or four years down the road when the new money runs out. It all has to do with how you see the new money... in the short term, if you are stuck there with no plan, it looks risky. In the long term, for us, it just increases our operating reserve and makes us more sustainable. The real risk in the long term, and only a few of us see it, is... how new money from the Feds... infrastructure money, will impact the municipal tax levy.

Message Control

For any organization, there is a risk that a miscommunication will in some way damage their reputation. Senior administrators of nonprofit organizations know that they need to control how messages are released from his/her organization to control for possible risks. The balance is delicate. On the one hand, the nonprofit organization needs to court media exposure as much as possible to draw attention to its purpose in the

community, to raise funds, to inform people of services and so on. On the other hand is the potential loss of support that could result from a negative portrayal of the organization in the media.

DAVID: *From there when we apply for funding or whatever, it is a lot easier on us because they understand us and feel comfortable. I don't know if that is different from a lot of organizations, but I think a lot of organizations don't see that marketing or PR part of it. At the beginning of the organization, we did a lot of PR and not just selling ads, we got a lot of media coverage. We realize that media is a pretty powerful medium that you can go through. It is one of these things that when people see you on TV or they read about you they go 'wow, you folks'. We realize that the strongest way to get those people is through the media, at least one of the ways.*

DAVID: *So we do things like, we do get media exposure, I select certain people who will do the interviews so that they are appropriate, so that they don't say anything that may be inaccurate and does anything that would harm our organization or harm our clients... So we have taken an approach where we are very careful in terms of how we portray the organization.*

Exodus of Talent

Nonprofit organizations like other organizations depend on having skilled people as part of its human resource pool. For some nonprofit organizations, a perspective is that a risk to long-term sustainability comes from a general exodus of talented individuals working in the nonprofit sector and a decrease in those seeking employment in the nonprofit sector.

DAVID: *Well you know when I first started I put out an ad for young people in the community, I would literally get like a stack of resumes, you know, for a position. Now it comes to I just get a handful. I can't imagine if we do lose a ton of money where we would have to lower the rate and others with others, the pay is going higher, you know, it will get down to a point where we would*

not get top quality workers for our field. So it is going to have an impact not on the organization but on clients because they are not getting the best possible people. Then I believe, where a lot of nonprofits are working with, dealing with people who are on the fringe or who are on the outside, it will continue to get worse because they get the worst possible workers to help them out, they are not getting the top people.

For other nonprofit organizations, the risk comes from not having the necessary skills within the organization either in paid staff or in volunteers. Loss of talent from within an organization can have significant consequences including the inability to meet regulatory requirements. In the case of registered charities, the requirement of annual filing with Canada Revenue Agency can be a challenge if the skills are no longer part of the charity. Loss of registered charitable status is a significant barrier to fundraising because the charity can no longer issue tax receipts. Loss of talent from inside the organization may also mean that the organization cannot anticipate the consequences of its actions.

RESEARCHER: *Are you a registered charity?*

JANET: *No, we let our charity status drop.*

RESEARCHER: *Why?*

JANET: *Because the bookkeeping on it was phenomenal.*

RESEARCHER: *How long ago was that?*

JANET: *About four years ago. And I went to a course put on by the government that had two people there from the nonprofit charity and basically the one fellow said, 'That's why we set it up that way. We don't want hundreds of these little tiny charities sending all their paper. We don't have the manpower to look after the paper work.' Because every time you make a sale you have to separate your GST so the bookkeeper has got to do that and soon you are paying your bookkeeper more than what you are getting back in GST.*

Smaller nonprofit organizations do not have the resources to acquire all of the talent that would, in ideal circumstances, be available to them. Some undertake activities designed to generate resources for the organization that subsequently fail because the skills needed to maximize the outcomes are not present. For some nonprofit

organizations, this provides a hard won lesson that down the road may help sustain the organization over the long term.

CYNTHIA: We tried a small project last year that we made a cookbook that we were going to sell and it went over marginally well, I guess. I don't think it was great. I think that we are just too small right now; we don't have that marketing capability to do it. I think in maybe ten years when we are a bigger organization and have different facilities maybe, but at this point we are just too small.

Other nonprofit organizations experiencing a limit on the skills sets available to them, adopt an overly cautious perspective. While being cautious is one way to contain risk in the short term, it may have the long-term consequences of creating a mindset within the organization that is especially narrow and inwardly focused. For example, a lack of fundraising skills may lead to an attitude that only considers revenue from gaming. This source of revenue currently generates comparatively large sums (approximately \$32,000 per agency per casino in Alberta (Alberta Gaming and Liquor Commission, 2001)) with little effort. A different perspective on the risk is that because it is gaming revenue, such payouts are not guaranteed and proceeds will drop as more nonprofit organizations are granted casino licenses and earnings have to be split between more organizations.

JANET: Well, almost anything would help a new board. But as for boards being held responsible... I guess, although I have never even put a dollar in a video lottery that seems the way to get your money... I am a cautious person okay. We signed a five-year lease on the premises that we are in now, we saw that we had saved up enough casino money that if something happened and we didn't get a casino, we could pay that lease for the next five years, before we signed it. I think that you should have some caution, not just, "Oh, it is somebody else's money, let's just spend it any old way", which is an attitude that a lot of people have.

The greatest risk is complacency around an organization's reliance on a single source of funding. Senior administrators aware of this risk build on secure funding and work to diversify his/her funding base. Diversification reduces reliance and dependency

as well as risks to the sustainability of the nonprofit organization should a single funder cease its support. Some senior administrators view the importance of diversification in practical terms:

CYNTHIA: *You can't rely on just one sector to provide all your funding, not when your budget is 129,000 dollars. It is just almost impossible for an organization this small... [The] United Way can do it because they can charge five hundred dollars a plate for their dinners but we can't. We are just too small for that.*

Others view it more strategically,

NANCY: *Our dollars with Calgary Rocky View I think are probably as secure as any funding contract that you can get with the government... Unless they really change what they want to be doing under services for children with special needs, because that's where our dollars come from.*

RESEARCHER: *About how much do they give you?*

NANCY: *From memory, we receive about 186,000 dollars.... So with them they are probably as secure as you get with funding contracts. Again, we have to apply every year, do our Schedule As and our budget, and all of that, and there are certain procedures that we have to follow through with in that area. Yeah, but I think that funding is pretty secure. The Mavericks had committed initially to a three year funding term with us and we are still going and we haven't at this point said that it is going to go another three years or it is going to go ten. We have a really good working relationship with them and because they are fairly new to all of this, and we are fairly new to going outside and diversifying, we are really kind of taking that journey together in how do we become more professional and more grown up, so to speak, in accessing and diversifying our funding. And so this year actually, they are going to provide us with just over 71,000 dollars.*

Exodus of Members

Nonprofit organizations that rely on having members are sensitive to the risk that reduced membership brings to the organization. Members of any organization are less

likely to remain with an organization that does not provide some kind of fair value for whatever the membership fee is. Loss of membership translates into the loss of revenue from membership fees so that losing members can affect the sustainability of the organization.

RESEARCHER: *About how many members do you have?*

JANET: *About 120 right now.*

RESEARCHER: *Is that a good number? Has it been higher in the past?*

JANET: *Oh, it depends on how far back you want to go. If you wanted to go back to about 15 years ago we had over 300 members.*

RESEARCHER: *That would have changed the financial picture. I am just thinking that you...*

JANET: *And at that point in time I don't know that much about the financial picture and how they were doing, you know, financially. And then it went on a real down swing. I had just joined the organization about 15 years ago, I don't really know... it takes you a while to get in. I don't really know why it went on the down hill but it went on the down hill for many years. We were down to about 50 members when I started working in the office*

RESEARCHER: *Wow.*

JANET: *And I really put the push on and put ads in businesses to say that, you know, that you are around... to say the different support centres like psychologists and counseling centres and things like that so that they would.... Because that is where we used to get a lot of our people and we still do get a large number of our people...*

Expressions of Power

This subcategory of risk tries to capture the inequality in the relationship between nonprofit organizations and those that provide grants of monetary resources – known throughout the nonprofit sector as ‘the funders’. Typically, senior administrators possess an acute awareness of the power dynamics in his/her funding relationships. Those with government funding attend to the reporting requirements that while necessary for government, appear to serve no real purpose for the nonprofit organization. Typically the

relationship with government is one where the nonprofit organization has very little power to influence or effect change to the system.

ANDREW: *The provincial government has a very bureaucratic approach to things and for the most part once you agree on a contract with them they kind of leave you alone. But every year their accountability functions change and everything like that so you are always having to sort of move paper from one pile to another pile with them kind of thing... and to no great effect. It just depends on some kind of bureaucratic whim, I think.*

SUSAN: *But the challenge for Innovations Dance Company with respect to the traditional funders, so the government, is that we have grown at a time when where government funding to the arts has been stagnant or decreasing... and despite anything else that might be said, whether there is a flaw in the funding formulas or processes, there is a huge commitment to historical funding patterns. So at the end of the day, none of the funders are really prepared to say, "Okay Royal Winnipeg or National Ballet we're going to take away all this money from your operating grant and fund these new organizations that have come up in the last 10 years". So... and that happens with us at all levels of government.*

Another part of the relationship is attending to the need for recognition that funders have. Senior administrators know that not meeting a funder's expectations for recognition could result in a loss of funding in the future. As a result, senior administrators are especially attuned to the recognition the funder requires as part of conditions of granting funding to the nonprofit organization.

CYNTHIA: *Foundations are a little bit different. They always need recognition. The Wild Rose Foundation and the Community Initiatives Program, it's the government, they definitely want that recognition then. If you don't treat them well they won't consider you for next year. So it is a big thing.*

Learning Organization

This theoretical category is named to capture the views of senior administrators having to do with how his/her nonprofit organization has learned from its successes and failures over time. It also includes the idea that a learning organization is open to hearing and considering input from people at all levels within the organization and from those outside of the organizations. Within this theoretical category are the subcategories of capacity for thinking critically and novel resource utilization.

Capacity for Thinking Critically

This subcategory draws learning together in a particular way – that of being able to think critically about the future and how the organization will be sustainable for the long term. Typical components of critical thinking include the exchange of ideas, information, perspectives, attitudes, and opinions. This kind of thinking results in thought provoking questions, explanations, speculations, justifications, inferences, hypotheses and conclusions (King, 2002). While not every senior administrator could be labeled a critical thinker, all touched in some way upon the principle of weighing alternatives, even it meant an acknowledgement that this ability did not exist in the nonprofit organization at the time of the interviews.

SUSAN: *Well, some people will have a different, you know... we're competing with the Flames, we're competing with movies, we're competing with television. You know, as far as the entertainment dollar, our competition is so vast... it's anything. So I think that there has been over the years, developed, certainly over maybe the last five years, more of a sense of the arts and the performing arts working together. We have some joint committees, we do some joint initiatives together, we share information, so there is an openness and an understanding that we are a small sector and we need to get together, work together, because we can't do it alone.*

Some of the contributing views related to critical thinking demonstrated a reflective stance on the world external to the nonprofit organization. When this occurred, senior administrators were able to locate his/her organization in a complicated web of interrelationships and a diversity of purposes.

SUSAN: *But the challenge is that our market is so small that really from a pure marketing initiative it is probably not valuable. It is not worth the price. With the exception of somebody like DuMaurier, for example, it was purely sponsorship, it's from the marketing, it's not from the philanthropy area and of course that is no longer allowed.*

ANDREW: *There was a real trend to try and force cooperation in the early '90s when the cutbacks were. They wanted cooperative projects and so everybody in the nonprofit sector tried to find other nonprofits that they could collaborate with. Most of those were futile and they were forcing friendships that probably shouldn't have been in a chase for dollars, or to protect dollars. I think there has always been the opportunity for collaboration when it really makes sense. Again, it is the United Way that probably promotes that more than any of our other funders.... We're competing for scarce dollars and we are competing because there is more service and more differentiation of services. We're having to think about marketing and staking out our services and thinking about what our service is and you know, what our unique selling proposition is kind of thing. Even though we are a service, we have to make it clear why we are providing this service and not other services or whatever... or doing it like other agencies might do.... At a personal level, what I see which surprised me a little, when I was on the United Way Campaign Cabinet, and I am coming from an agency perspective and I am seeing these captains of industry busting their butts to raise money for us, it changed my opinion of sort of the corporate sector being in the business to create massive profits for their own pockets. And I saw how much they were doing for the community and how important that was for them, personally and philosophically. For those people that was sort of a bit of an eye opener because I grew up in British Columbia where the NDP told us that corporations were bad. You see? Obviously, you cannot run a business the way that I run this business without changing your philosophy somewhat?*

One executive director contacted outside of the formal research interviews to test the theoretical categories being developed stated:

It is interesting to me that the effect of being a learning organization came up. In our organization we ask ourselves, "Can an organization learn?". Our answer is that it can through its people... an organization that can't learn can't grow or progress. You need to have a critical approach to learning though... there is a lot of information you could learn but not all of it is relevant.

Novel Resource Utilization

Resources can be used in many different ways. Senior administrators attending to sustainability concerns for his/her nonprofit organization frequently expressed the need for ongoing innovation regarding the resources – expertise, people, money – they had at his/her disposal. In some cases the innovation had to do with redefining an activity in such a way that restricted-use financial resources could be utilized for the activity.

SUSAN: Our operating grants, you know, of our however many hundreds of thousands of dollars of grants, probably 70% of it is operating grants. You know something like touring around, Canada Council, it is not an operating grant but it is part of our operations which we may not do it every year, you know it may change... we may do a larger tour or a smaller tour. But really it is a kind of operating but it is not classified as an operating grant.

In other situations, the innovation is matching services either with a change in community need or with funder interests. In cases where this occurs, senior administrators were able to generalize out from specific service areas to create an opportunity to meet what they know to be an emergent need. Meeting the need in this way is akin to creating an opportunity to leverage the nonprofit organization's current resources and capabilities to ensure sustainability for the long term. Skills that the senior administrator must possess include negotiation and the ability to critically assess the ability of recasting existing activities to meeting anticipated demand.

ANDREW: *I like it when a funder comes and says, “you know we have a need here can you do it?” Or if they, as United Way did four or five years ago for example, we’ve got a really changing community in that it is much more cultural than it used to be so we’ve got some money available for multicultural projects. Well that was a nice... personally for us that was a nice initiative because we were seeing the same trend in the kinds of kids we were getting here. And we realized that we could be doing more because there was lots more immigrant kids, for example, out there. So for us that was where the funder was identifying a need but we were in a position to respond. And we’ve had other examples where the funder has said, “Here is a need, can you respond?” But it sort of works both ways. Sometimes we can go to the funder and say, “You know we are getting a lot of this kind of kid and there isn’t enough money to service this kind of kid and so you need to do something about it”. And then we have had the experience where they have done that to, so I think the most important thing is that there be a dialogue between the funder and the agency.... And a real dialogue, not just sitting there and saying words and then off into the vacuum they go.*

Sustainability

The concept of sustainability is something now widely discussed in the nonprofit sector (e.g., The Foundation Centre ran a series on nonprofit sustainability).

Organizations of all types as well as larger social constructs such as communities and provinces commonly raise the question of sustainability (Seel, 2000b). Sustainability is a common topic of discussion at the management and governance levels of organizations. This is especially true for nonprofit organizations where the issue has particular poignancy due to limited financial resources, increasing costs, seemingly endless demands for increased or improved services. Nonprofit organizations have very little in the way of secure long-term resources necessary for planning such as revenue streams or even the people in place for succession planning. Senior administrators of nonprofit organizations are familiar with the idea of sustainability and have been engaged in discussions about it even if such discussions were only tentative or quite basic.

Within the theoretical category of sustainability are the two subcategories of culminating conditions and innovation. Innovation has been broken down further into

some interesting considerations presented by key informants such as diversification of funding, sustainability as a value, market ventures and responding to community need.

Culminating Conditions

For some senior administrators there is recognition that all or part of his/her organization is not sustainable for the long term. For other senior administrators, the way in which they talk about his/her nonprofit organization strongly suggests that the current situation is not sustainable or that the organization is already declining and becoming less and less sustainable over time. One indication of decline is a focus by senior administrators on finding small pockets of money. Frequently the effort exerted to acquire a small financial gain has real costs in excess of what is taken in resulting in a net loss to the organization. While sophisticated nonprofit organizations know the cost of raising a dollar, smaller ones that lack the necessary tools and skills do not. Having staff or volunteers spend many hours working on an activity that generates a few dollars may seem sensible to smaller nonprofit organizations. A closer analysis would reveal that this behavior is in fact contributing to the decline of the organization.

RESEARCHER: *Maybe you can just start us off by describing how the One to One goes about getting the money it needs to operate. Who are your funders? Do you have private donors? Corporate donors?*

JANET: *No. We are a self-supporting organization. To run the office and the equipment et cetera we work one casino as often as we can get it, which is approximately every 18 months right now. And that is how we get our basic operating cost. And the other features... we try to break even, like when we have a pot luck supper we will charge a dollar for members. That pays for coffee and cups. And then three dollars for nonmembers because they haven't paid dues so they sort of subsidize it. And when we have a video night and rent videos we try to charge a dollar, three dollars for nonmembers, just to try and keep the cost... everybody should be able to afford a dollar or three dollars for an evening's entertainment. And it keeps the costs low but it keeps the money coming in slowly.*

Here, the focus on generating small amounts of revenue from events that may in fact cost more than what they raise means that the nonprofit organization is inefficiently or ineffectively allocating resources. Expending resources on low return initiatives means that the nonprofit organization does not have the capacity to address sources of revenue that could be larger and more long-term but which would require sophisticated proposals or applications processes to access.

RESEARCHER: *Do you do any applications to government foundations?*

JANET: *No we don't try at all. We don't have the time. No one wants to do forms.*

RESEARCHER: *So just the casino and then your membership?*

JANET: *Yeah and the small amount of profit we make from our events.*

Relying on members for dues and fees paid to attend events put on by the nonprofit organization requires that the organization develop activities that cater to specific interests. This can result in a fracturing of the membership base so that members associate themselves with an activity not the organization. Over time, members may see the value in the activity but not in the nonprofit organization. The result: members leave the organization but continue to pursue the activity elsewhere in the community. The foundation of a nonprofit organization's support is the people that find value in the purpose of the organization. We people stop supporting the nonprofit and begin to leave – as either members or clients – the reason for the organization's being is eroded.

RESEARCHER: *So you have a group that has some very specific interests.*

JANET: *And that is one of the problems, in my opinion, is we have such a fractured group... Many of the people that join, join for a reason. The people that join for dances, that is all they want to do, they are not interested in anything else. Often you will never see them at anything but the dances. The hikers join for hiking and maybe they will come out to one or two things but not very much.*

RESEARCHER: *So it is really interest specific.*

JANET: *It is very fractured. At least... this is what a friend and I were talking about, you know, why you cannot get a huge bunch of people out for something because everybody has their interests.*

And the dining out crowd are the more sophisticated people that want to get dressed up, they want to go to a fancy restaurant, not much activity involved, and don't stress me out, you know, I will pay the price. The others are too broke to do that.

Over time, the nonprofit organization becomes less aware of the changes taking place in the community around it and tracks only the changes within its membership base.

JANET: *So I see a bigger split there where I didn't know the people as well ten years ago or else that is a big split because like you never see the dining out people come to a potluck that does not cost very much.*

RESEARCHER: *Interesting. So the trends that you mostly keep track of are with your own members?*

JANET: *Yeah.*

Larger organizations that have shown themselves to be sustainable in the past and believe themselves to be sustainable into the future can identify external trends that pose a challenge. The perspective that is adopted to address these kinds of trends takes in a broad view of the world that recognizes the nonprofit organization as being one small part of a much bigger whole. Out of this senior administrators may assess the big picture one way (e.g., the nonprofit sector is not sustainable) while assessing his/her organization in another way (e.g., the organization is sustainable).

SUSAN: *Well we would really hope... the Alberta government has really done no increase to the arts since '89. There was a small increase but really, three million dollars on the size of the budget over the period of time you could say negligible. So you know... I think it is a tough thing. I think that there has to be an ideological commitment by governments particularly civic and provincial because I think Canada Council is there. How they give out their money is a different issue though... Provincially and civically that the arts are important and worth investing in. There also has to be on the side of the arts organizations the reality that you are never going to have 50 percent government funding. So, you know, there needs to be a reality that, you know, it probably needs to be 25 to 30 percent government funding and the rest has to be through*

various levels. So we need to see both civic and provincial funding increased so that we can expand, you know, do what we need to do, expand programming, deliver better product...

Also,

SUSAN: So over the last three or four years what we have been seeing is trying to grow our government funding, which is a bit contrary. But because our government funding was so low, we got 12 percent, you know we have been slowly trying to grow it by having operating grants from Canada Council. They are very small at this point, so we hope to see that grow in the future. But the challenge for Innovations Dance Company with respect to the traditional funders, so the government, is that we have grown at a time when where government funding to the arts has been stagnant or decreasing.

Innovation

Recognizing that some parts of his/her organization or the organization itself may not be sustainable, senior administrators innovate the means by which they can avoid facing a terminating event such as bankruptcy.

Diversification of Funding

Dependency on one source of revenue is risky. Reliance on one funder puts the organization at jeopardy for closure should the funder decide to change its support to another nonprofit organization. A strategy senior administrators try to develop is diversification of funding.

RESEARCHER: Maybe if you could just describe your funding base as an organization and the strategies that you are currently using to secure the financial resources that you need to do the work that you want to do.

CYNTHIA: Okay. We have quite a broad range. Starting with something small like canister programs, we have got canisters all over the city that collect coins. We bring them in once a month but it doesn't make it a very large portion of funding but we can

probably buy a week's worth of groceries to fund the lunch program on the canisters. We also have our fundraising event which we do large ones once every quarter and they can bring in two to four thousand dollars. And then we have in the summer lots of small fundraising projects that just bring in a couple hundred dollars every day or so that we do them, about five days out of the summer. Then we have the bigger ones like the casino. We just got our first casino license in March and we are expecting about 60,000 dollars off of that. That will be great actually. We are really looking forward to it.

Also,

CYNTHIA: We have a number of applications just sitting right now that will probably bring back money over 10,000 dollars. We are just waiting to hear back from them.

RESEARCHER: So you are really diversified then... government, private sector, individual donors.

CYNTHIA: And you have to be. You can't rely on just one sector to provide all your funding, not when your budget is 129,000 dollars. It is just almost impossible for an organization this small, like, United Way can do it because they can charge five hundred dollars a plate for their dinners but we can't. We are just too small for that. So you just have to be very broad about it.

The pursuit of a diversified funding base often results in the senior administrator learning that sustainability is something that is possible to achieve. Communicating this understanding and the experience gained through diversified revenue development can also inspire the board of directors and others inside the organization to become engaged and supportive of initiatives aimed at sustainability.

CYNTHIA: Sadly, this is the first year that we have been thinking about long-term sustainability and it is the first year that we have actually been able to think about that. Before, we had just a hundred dollars in the bank account some months and there was just no way we were sure that this program was going to keep going. So after a year of rigorous fund raising and just tons of fundraising projects we have been able to put ourselves over a year. So we are actually looking, we have finished our funding for 2003 this year, we're looking at March 2004 and that's the first time we have ever been able to do that. Sustainability has become

a big target for us. The board is working really, really hard to keep that image up. It is the first time that we have decided to do quarterly fundraisers before it was maybe once a year and they were not anything large scale at all. And I think our financial departments are going to try to do different things with the money, investing it into small GIC's type funds to make it grow a little bit. I'm really not sure where that's going to go. It's something the board is going to have to discuss. Again we have only had this money for a couple of months so it is a brand new thing for us and it is something that we have to look at our AGM [Annual General Meeting] that's for sure.

When a senior administrator comes into a nonprofit organization with experiences and the skills necessary to make the organization sustainable, they may have to address deficiencies that accumulated during a period of decline. Only when an organization is stabilized can time, energy and other resources be invested in activities such as the development of a fundraising department to ensure sustainability.

RESEARCHER: *What was the change from then to now that made the board more responsive to having a fundraising department?*

ANDREW: *Well, I think the problem was when I first came here was that the organization had been allowed to decline and so that there were many, many organizational problems that we had to deal with first and it took a few years to get those worked out. And then I think the board had the energy to start working on it. And it was also because of the kind of shifts that went on in the early nineties with provincial funding and the cutbacks and everything else. There was a number of challenges at that point as well which.... We only had so many resources so we could only deal with certain things. It would have been nice if we could have thrown in a fund development part at that time but we had to ensure the continuation of existing funds rather than raise new funds.*

Once the process of stabilizing and growing the nonprofit organization has displaced a period of decline, a change of leadership at the board level is required. This is especially true if the nonprofit organization has undertaken steps to broaden and diversify its funding base.

ANDREW: *My board is definitely getting their heads around that. And part of that has to do with the composition of the board. We had a very stable board for a number of years which had significant advantages for us but it also had significant disadvantages in that they didn't have their mind around the need to fund raise so much. And the composition of the board has changed so that they are seen as a fund development board and there is a person on the board that chairs the fund development committee... and she is a very aggressive person which is great. So, yeah. We've also got a couple of CEOs now on our board for the first time. So that the composition of the board is being more driven now by who can make a big difference for us in the economic bottom line whereas before it was who can make a difference for us financially.*

It can happen that a funder can take an interest in supporting the nonprofit organization to go through the necessary changes at the board level.

NANCY: *Well, it is very much a strategy. We really found that we have to have a good strong board, but the thing that was missing was that we didn't necessarily have that business sense. How do we take our organization and rather than operating it as a charity, how do we go from that mindset to a strategic business in the community? We felt that when we kind of looked around and saw charities that had done exceptionally well with diversifying their funding, networking, and connecting with a range of funders, for various needs, they really created much more of a business.... And that is where we really wanted to go. And so we really thought about how do you bring that onto the board and where do we get that direction. So again, it was with the Mavericks [a community funder] that we were able to do that. And we've recently had a second member join who is a parent as well but his background is business. So now we have two which is... and that just started in September so we have had two board meetings and you can already tell that the changes that we are going to go through in the next year are just going to be phenomenal and really exciting.*

Another outcome of pursuing diversified funding for the organization is the connections that it establishes outside of itself with others in the community. A common point where the nonprofit organization interacts with the community is through the senior

administrator and specifically the executive director. Another is through the fund raising function of the organization.

ANDREW: *We're just starting a fund development department. We have worked real hard to for four years now to break into that corporate thing. And we're just... this is the first year that we have had any significant corporate sponsorship things. So it is just starting to pay off and our impression, and I am sure that if you talk to our fund development people it would be a little bit different, but my impression is that it is often a question of luck and just who you know and that somebody can unexpectedly make a difference by bringing a contact on board or something like that. Suddenly, you've got a corporate sponsorship, you know, but a lot of hard work goes into... a lot of letters that get written and a lot of "nos" that get received you know. But if you just happen to luck in you can get it. And I think that when I look around to some of the other agencies I work with, it's often like that too. You just happen to get the wife of a CEO on your board or you know, or, stumble across some CEO that believes in what you're doing. Then, bingo, you get corporate support and that can be substantial. It isn't yet for us but...*

Beginning those relationships can be difficult. For senior administrators, many questions need to be answered. Reaching beyond one's own experience or the experiences of the nonprofit organization can be very helpful in starting the formal planning process.

NANCY: *So who is doing what to have as funders? And how do we approach them and how do we develop a working relationship and what is it that we really want funding for? So we have really hit that point. And I think what's really beneficial to us is because we are well networked, we can learn so much from so many other agencies that have gone through these growing pains and have established and diversified their funding. We can learn from their trials and tribulations. I mean what was successful and what wasn't and how can we move forward and...*

RESEARCHER: *Have you started some of those discussions?*

NANCY: *Um, informally. More of that will come with our strategic plan. When we actually get into that we'll... because what we want is to have a strategic plan for the agency and then underneath that*

would be for staff, board, and how do we move forward. And in there of course would be the financial piece. And at that we'll begin pulling together that information. So we certainly have informally done that but not formally.

Sustainability as a Value

Senior administrators are the focal point for all that goes on within a nonprofit organization. They are also the focal point for those outside of the organization wishing to connect with the nonprofit organization for purposes other than to receive services. The values articulated by the senior administrator become important points of reference for stakeholders inside and outside of the organization. When a senior administrator holds and espouses the value of sustainability this is a signal that others should also be attending to sustainability issues. One of the common viewpoints on the value of sustainability is for the people needing the services provided by the nonprofit organization or the salaries paid to employees. If the organization is not viable and not likely to exist in the long term, the duty of care felt by the senior administrator to clients and staff, for example, is compromised.

NANCY: I think the big thing is that it is our day-to-day operation is very much hands on with families, supporting families in accessing resources, and getting them involved in the community. I see biggest part being the part of the funding and how do you sustain an agency and not have to live, I guess, in poverty? Because I think all too often, nonprofits and charities are, 'well they're a charity' so you're not, you know.... Our staff are under paid, and this is not news to anybody, for the nonprofits for staff are not making competitive salaries if you compare them to governments or businesses. You know, we often end up having to rent in places, you know, that most people in the community would not want to rent, but we don't have rent money. Um, your budgets are tight. And that is for me where the business part comes in... is how do we manage the overall organization so that we can provide competitive salaries, benefits, a stable environment such as our office that aren't extravagant but that are comfortable but we can also maintain our staff. If you can't provide staff with competitive

salaries and benefits you have staff turnover. And for us it is challenging to find parents with kids with disabilities that can work full time and can meet the needs of their family and there's a lot of challenges with that. So where I see the business part really is the financial and management part of the agency. I guess the touchy feely part is in how we do our day-to-day operations in support of the families.

For other senior administrators the value of sustainability becomes voiced in terms of not putting the nonprofit organization at risk by imprudent financial management. This viewpoint balances the enthusiasm of growing to take advantage of opportunities and ensuring long-term viability through expansion. It can be the perspective of wisdom gained from experience.

SUSAN: *Well, I think that we have always lived by the philosophy don't spend money we don't have. So, we had to scale the organization down to the amount of revenue that we had and to be very realistic about our projections. Its... you get good financial models and you can track your expenses, you know as a corporation. The challenge I think with charities is not to be too optimistic on the revenue side in predicting what the revenues would be and then your expenses are really equal to revenues because we are not here to make a profit. We have just always been very prudent in our financial planning and very realistic and adjusted the organization. There is lots of things that we would like to do if we had the money. We just don't have it so in some cases we have had to just grow as we had the resources to grow.*

Market Ventures

Many nonprofit organizations come to view for-profit business ventures as an alternative to traditional funding and part of the diversification of the organization's funding base. Senior administrators without business experience or without access to that experience or skill set tend to be overly optimistic about what can be generated in terms of profits.

CYNTHIA: *We tried a small project last year that we made a cookbook that we were going to sell and it went over marginally well, I guess, I don't think it was great. I think that we are just too small right now, we don't have that marketing capability to do it. I think in maybe ten years when we are a bigger organization and have different facilities maybe but at this point we are just too small.*

Those senior administrators who have a business background or can access those skills from his/her board or from those outside of his/her nonprofit organization have a more realistic picture of what is involved.

DAVID: *I think the last five, six, seven, nine, ten years, whatever, we have had this banquet every year. I think it is our business venture you know, we have a lot of people come out to it, so it is a lot of work, very time consuming, but the rewards are in some way worth it. So we've done that but we realize now that we are at the point where we want to do something other things to make it worthwhile. So we were just connected up with that group, The Social Venture Partners, SVP. They are corporate folks that come... we're very lucky to get that fund as well. So we have gotten that fund but they have also provided volunteers in the community that will come out and provide support to the organization. And so they come with the business sense. We have talked to them about different business ventures that we would possibly.... I don't know if we would ever do it but we have talked about it. We have a manager from the Royal Bank who has the business sense and we have talked about setting up a business that would be the business arm of the organization. It would actually be separate from the organization but it would be connected to the organization so that any profits from that company that we set up would be shipped back into Youth Impact. So we have had the discussion about buying an Arbi's or sort of what ever. So we have done that talk and we have talked to some of the Social Venture people that this was great, that maybe it sort of, that their people and bring us to a one year process to see what our tolerance level is, and to see what kind of business would be appropriate for us, and to see if we would be willing to take some of bit of surplus that we have and invest it into a business and to see if our board has that tolerance because if we lose that, we're kind of sweating it out because we need that through some of the really tough times. So that is one thing that we have talked about.*

And,

DAVID: *Part of it too... is how much revenue can you generate? The thing that I am thinking is let's say you open an Arbi's and it raises you twenty thousand dollars a year, but it is a lot of work, the good thing is that you employ a lot of people and so on, but twenty thousand probably won't even pay for even a full time employee. You may need to generate two hundred thousand and it is not an easy thing to take twenty thousand profit from any business.*

Other senior administrators are somewhere along the path in considering a market venture of some kind. Typically, some kind of business experience already exists somewhere in the nonprofit organization if the senior administrator has a positive perspective on creating a profit generating venture.

ANDREW: *We charge fee for service for some of our clients, but we have always done that and even in those situations the fees don't cover our costs. We have often looked at the opportunity to do private consulting but we are so busy with what we are doing, to ask our people to do more would be pushing it. We do try, we are trying to do things to ensure our viability as a program by creating partnerships with significant other people. For example, we are trying to develop a pediatric clinic for next year.*

Senior administrators with a great deal of experience ensure that business ventures support the larger mandate of the nonprofit organization and that the organization is an integrated whole regardless of its undertakings.

SUSAN: *You know, we have certainly... our dance school has grown considerably and is a very big part of the revenue produced for the organization but it is still very tied to our mandate. So part, a big part of our mandate is not only performance but it is also education.*

The Canada Revenue Agency (CRA) insists that to remain a registered charity an organization's business interests remain within the stated purpose of the charity. The charitable purpose is stated by the nonprofit as part of its filing for registered charity status. It becomes part of the permanent record with the CRA. Deviation from the

purpose or engaging in business activities not associated with the purpose are valid reasons for CRA to deregister an organization. Regardless of how important this is to the status of a registered charity, senior administrators still toy with the idea of running completely arm's length business ventures.

DAVID: *Half my organization, half my board has said, "Yeah, let's go for it", and the other half said, "I don't know about this, I don't know if we as a board, we as an organization have the energy to make that happen". Again, it gets back to what you were saying about my time too. You know, am I going to drift to that way where I kind of forget about the other aspect, the social aspect, of getting more involved in the business. So we have talked about that if we were to do it we would separate it.*

RESEARCHER: *Where you become the sole shareholder?*

DAVID: *Yeah, Youth Impact would be the shareholder but it would have its own separate employees and so on so I probably wouldn't touch it. The only time that I would probably work with them, is with their manager in terms of how the finances are running and how the finances will be moved back into the organization. So we would hire a manager, and all the staff and so on and have a separate board, probably board members that have that business sense to ensure that.*

Responding to Community Need

Central to the intent to be sustainable is the question, "For what purpose do we want our organization to be sustainable?". The four heads of charity – religion, education, reduction of poverty, and purposes beneficial to the community – represent intentional activities to address needs within the community not being addressed at all or not sufficiently by private enterprise or government. There is therefore, a close association between being sustainable and knowing what needs are not being met in the community. As community needs change over time, a large part of being sustainable has to do with maintaining contact with the community and ensuring that the charitable purpose and mission of the nonprofit continues to be relevant, meaningful and needed. Adapting to changing community needs is strongly associated with remaining sustainable.

ANDREW: *Well, first of all you have to plan long term and especially in terms of the kind of fund development project that we're doing. We do have long-term endowment funds that we're raising money for as well as the more short term kinds of things. We've been in business for 60 years and this has probably changed about every three or four years.... So it is more a question of responding to the community need... changing community need than it is just in terms of the funding kind of things because... The core funding has always been there for like social service programs as long as you are meeting a need. You are at risk for losing those funds if you are no longer meeting a need... so you are running a program just because you have always run it rather than.... For example, we used to have an unwed mother's program here in the days where if you were pregnant and not married you had to be hidden away.... That was a good program. It doesn't happen any more and so there was no reason to keep it running. You know, and in many ways we continue to adapt our programs. When the Children's Hospital cut back on their therapy outreach program in the '90s, meant that we had to start providing that service through Destiny Child Care because nobody else was doing it... Suddenly you are scrambling to arrange to do that and afford to do that kind of a thing.*

RESEARCHER: *So sustainability is really then program relevance to the people that you serve?*

ANDREW: *Exactly.*

To assess whether or not they are meeting a community need, senior administrators undertake a variety of activities designed to measure effectiveness. Some activities involve the senior administrator's in informal conversations with important stakeholders inside the charity. Other activities are more formal and involve outcomes measures – a process favored by some funders including the United Way.

ANDREW: *We certainly talk to most of our major stakeholders including our clients at the time. Um, and some of it is driven by our own outcome measures for our existing programs. We measure our programs whether they work or not so we know for each child whether we are making a difference or not and.... So between the internal reviews and the sort of looking at the big picture and seeing what is there, we can do it...*

RESEARCHER: *And sometimes the world has changed and it is not the same place you thought you were in.*

ANDREW: *Exactly. Well the barometer for us is whether we have got kids walking through the door or not. And if we're... for example, most of our kids are referred to us by the Children's Hospital so if the Children's Hospital is referring kids like crazy to us then we know that we must be in line with it. But if it falls off, then what's wrong with it.*

Credibility

The Latin roots of the word give us insight to the importance of credibility to nonprofit organizations – worthy to be believed. In this regard, credibility goes beyond being reliable and deserving of credit. Being worthy imparts status in the nonprofit sector - earned through a great deal of hard work building a reputation, following through on commitments, going beyond what would be satisfactory and so on. Nonprofit organizations are often seen as the keepers of society's highest values – caring for the most vulnerable, providing sustenance to those that do not have it, educating, healing and so forth, without putting personal or organizational gain first. Therefore, senior administrators are very sensitive to activities within his/her organization (or outside of the organization) that could erode credibility. On the line is whether others will believe the organization when it asks for support. As one executive director asked to review the theoretical categories and outside of those being formally interviewed put it,

Credibility is key to sustainability. Lack of it can destroy an organization in months.

Within the theoretical category of credibility are the four subcategories of perceptions of agency activities, governance volunteers build reputation, stable employee base, and evaluating organizational effectiveness.

Perceptions of Agency Activities

How a nonprofit organization is viewed by external audiences is important to the organization and particularly so for its senior administrator. This is especially true when peer organizations are in positions of power as evaluators of proposals submitted by the organization for funds. Trying to shift historic selection patterns or breaking the hegemony of those with different perspectives on what community needs to have in the way of services can be frustrating.

SUSAN: *And then when we were technically allowed or invited to apply we were denied funding for many years on the grounds of lacking artistic merit. We have struggled with Canada Council with what big "A" art and our work is very accessible and entertaining and so therefore by some of our critics they feel it is not as worthy or perhaps feel it is too commercial. And jazz dance, because also we are very unique in what we do, we are the only company, one of the only companies in Canada, and one of the few world wide that are committed to jazz. And so when you work with a peer assessment model, which Canada Council does, the challenge is that we don't have peers so we tended to be assessed by people that were trying to assess us according to their aesthetic, rather than really on what we were accomplishing.*

Regularly faced with this kind of funder attitude, a senior administrator who believes that his/her nonprofit organization will overcome the problem and remain sustainable, focused on his/her organization's mission. Focus on the nonprofit organization's mission is viewed as a solid way of guarding the credibility of the organization by ensuring that regardless of disagreements, people perceive the organization as not selling out its mission for money. Senior administrators believe that sticking with the mission contributes to credibility.

NANCY: *I think that you have to be cautious with that because I think that there are some organizations that do chase projects for money and have to change missions to do that. I hope that we always stay true to our mission and that when we are looking at diversifying our funding or growing as an organization that that growth falls*

always within what our mission is and that what our initial intent of Point Source for Children has been. I think that you have to be cautious though. I think that there's times where you are put in a position where you really have to debate whether or not you make those changes because you have opportunities that are very good opportunities that are just outside of what you normally would do. How do you make that fit? Right? And so I think it is a debate that unfortunately organizations have to have. We have been fortunate that we have not had to have that debate to this date. Now is it unfortunate because we don't have that money? I think for us I think we're in a bit of a different condition than say organizations that provide a hands-on kind of service. We don't provide therapies. We don't provide respite. So our service is really supporting families to find out about and access existing resources and services as well as to bring families together to support one another. So I think for us in some of those areas it is easier because we don't ever want to become a service provider if I am making any sense... and we always want to stay true to our mission that we want to provide... support families by providing them with the information and resources.

Governance Volunteers Build Reputation

Credibility of the nonprofit organization can be enhanced by the kinds of people who are recruited to the board of directors as governance volunteers. Responsible for the stewardship of the charitable assets of the nonprofit, these volunteers can come from a variety of backgrounds and have the unique position of being outside of the operational umbrella covering employees and other volunteers. Board members are the link between the community at large and the organization. Having a strong board, not only in terms of skill sets but also in terms of the reputation of individual governance volunteers and the associated networks they have, is becoming increasingly important to nonprofit organizations.

DAVID: And we have a representative from the police and we have representatives from different companies. We have a manager from the Royal Bank, We have always had really top people. We have superintendents from the school board, so we have had

people that give the organization that instant credibility. And so when the organization started up it had that instant credibility because it is a new organization but it had established people get involved.... When I started we were a small organization and I think we have just moved into being a mid-sized organization. And I think that when I look at back then to now, I think back then it helped us have those people on board to get that credibility. So when I call people they say, 'well who are you?' we have these people involved with us it helped us tremendously. Now we are at the point where as an organization we have established ourselves where I can call people and they know about Youth Impact.

And,

DAVID: *The track record and again having good, solid, quality people on our board as well that gives the reputation.*

Enhanced credibility through a strong board and the reputations of individual board members can result in tangible gains to the nonprofit organization.

DAVID: *It took us fourteen years but I think we're moving into that stage where we are getting larger and that we have a step up on everybody in terms of getting the funds. It's day and night... when I think about when I first started to now, and I, it's the weirdest thing. When I first started, you'd be working so hard and banging your head against the wall, you'd be calling so many people and you'd be lucky to get one response. And it might be a little hundred dollar cheque, and you'd say, "Wow, cool, a hundred dollars". But now it is just one little phone call and I can get more resources because people know you. Like it is really weird. In the beginning nobody knows who we are, nobody even cares about us, now it's like, wow all these people care about us and are willing to support us and so on so it is like a build up.... There is also that trust in that relationship as well, and it depends upon how you develop that trust as well, you know. When you go out to a meeting it's how you portray your organization, how my board members who are volunteers, go out and portray themselves, you know, when they go out and represent the organization. So we do things like, we do get media exposure, I select certain people who will do the interviews so that they are appropriate, so that they don't say anything that may be inaccurate and does anything that would harm our organization or harm our clients.*

Stable Employee Base

A significant portion of the credibility that a nonprofit organization has is linked to the presence of qualified staff that provide the service articulated in the mission or purpose of the organization. More than having skills though, senior administrators have a vested interest in securing a staff team that is stable (i.e., there is a low rate of staff turnover) to ensure the nonprofit organization is credible. Senior administrators appear to know which nonprofit organizations have significant turnover in staff and assess those organizations to be in trouble. Having a reputation of ‘being in trouble’ is something that detracts from the credibility of the organization. A stable staff pool is an indicator to senior administrators that the management is sound and that a consistent philosophy of practice is in place.

DAVID: I have been doing research in terms of which organizations is successful and they usually have consistent, solid people. You know, it's always the same people and it seems like the organizations that struggle always change. You look at even professional sports, same kind of idea, you look at the teams that you know, and I model a lot of what other organizations, other teams, or whatever, do. They are very consistent in terms of management. There is a consistent philosophy that holds true year after year after year. Here everybody knows what I am thinking. They know my philosophy. They know this is the approach I'll take when I get in a partnership because it is the approach I will take to get the funding, and so on. I believe it makes a big difference.

There are situations where staff are not credible. This can take place when staff from the nonprofit organization are making requests for funding support to government funders. When staff presents the case for expanded funding, some funders see the approach as self-serving; that staff have a vested interest in securing the money staff not for the benefit of the community but rather for their own benefit through secure salaries. While this may not be correct, senior administrators do consider when the voice of staff, verses board members for example, is not seen to be credible.

SUSAN: *So we need to see both civic and provincial funding increased so that we can expand, you know, do what we need to do, expand programming, deliver better product...*

RESEARCHER: *Is that something that you advocate for?*

SUSAN: *Oh certainly. It's very difficult though for people that are getting paid. Is our voice valid? It really needs to be more done through the community at large, the tax payers where the revenue is coming from, for them to say, "Yes, we believe this" and the politicians to have the courage, I don't know if I'm saying the right word, but courage and commitment to say "You know what, this is really the corner stone of our society, we need it, it enriches our lives", you know all the things that arts does for us. And despite nay sayers, you are never going to... no one is ever going to agree with everything, there just has to be balance.*

Evaluating Organizational Effectiveness

Most funders and many people in the community want to see evidence that the organization is using its resources effectively. Senior administrators live up to this expectation of accountability through ongoing evaluation of his/her organization's services and operations. Dissemination of the results of an evaluation that demonstrate that the nonprofit organization is effective and efficient can build its credibility. Some senior administrators focus not just on effectiveness and efficiency but include impact and outcomes as well. Putting large numbers of people through a service may, in the typical quantitative assessment, produce a low cost per client served ratio – a result that suggests greater efficiency. Such a figure does not mean, however, that the people going through the service are any the better for it. By answering the “so what?” question, senior administrators define another characteristic of credibility that makes them more worthy of support – that they do make a difference in people's lives.

DAVID: *And I think that's where early on in our organization too was that how do you build credibility in the community? First there is the media but also there has to be more of that. And what we did was we did put a lot of evaluating. So we hired external people to come and do evaluations on our program and all of them came out*

very very positive. And then we took that out to the community as well...

RESEARCHER: *Proof...*

DAVID: *Yeah proof, so it's not just that we are running programs, we are making sure that they are having an impact on the people that we are dealing with and that had a very strong affect on the community. And I think that as an organization, I believe that we are very careful in how we maneuver too.*

Relationships

Relationships is a theoretical category that gathers together the diverse range of connections that the senior administrator and the nonprofit organization through the board, its services, staff or volunteers, have with publics outside of the organization itself. Relationships cross the boundary between what could be clearly called internal to the organization (e.g., its staff, volunteers, services, documents, history et cetera) and what is external (e.g., funders, other nonprofit organizations, government, the public not yet accessing services of the nonprofit organization, business et cetera). As such, the relationships the organization has become the pipelines that carry information, beliefs, values, and so on between the nonprofit organization and the world beyond. What is difficult to establish is not only the nature of the boundary between the nonprofit organization and the world but where it lies. For example, small organizations with a very narrow mission may have a boundary that is very tight and limited to one service delivered to a small set of clients. For larger nonprofit organizations with hundreds of staff and volunteers, multiple services reaching into the community, and a board of directors composed of people in leadership roles elsewhere in the community, the boundary may be far beyond the formal presence of the nonprofit organization itself.

Within the theoretical category of relationships are the two subcategories of fear and competition and targeted relationship building.

Fear and Competition

Partnerships and affiliations between organizations may or may not evolve over time. On occasion, certain groups external to a nonprofit organization may press for partnerships and other kinds of close relationships between nonprofit organizations in order to achieve a goal that is shared. In the past, for example, funders have effectively forced certain nonprofit organizations to merge or form close ties with one another so that the funder supports one joint project rather than two separate organizations. Senior administrators share the perception that forcing organizations to partner or merge does not work. While perhaps achieving a funder's goal related to stretching limited financial resources further, the actual benefit to the nonprofit organizations involved is questionable. Senior administrators are open to the opportunity of forming closer ties with another nonprofit organization if it makes sense for both parties to be doing so.

ANDREW: There was a real trend to try and force cooperation in the early '90s when the cutbacks were. They wanted cooperative projects and so everybody in the nonprofit sector tried to find other nonprofits that they could collaborate with. Most of those were futile and they were forcing friendships that probably shouldn't have been in a chase for dollars, or to protect dollars. I think there has always been the opportunity for collaboration when it really makes sense. Again it is the United Way that probably promotes that more than any of our other funders.... We're competing for scarce dollars and we are competing because there is more service and more differentiation of services.

For some, even when a close relationship with another organization makes sense to both parties, getting acknowledgement that the undertaking is beneficial can be a challenge. When one or more of the nonprofit organizations in a relationship do not support the partners by declaring the benefit of the relationship, the relationship is undermined. What could be a relationship of equals becomes something that is unbalanced in terms of its return to the partners. Part of what may drive a wedge into an otherwise beneficial relationship between organizations is the specter that at some point they will be competing with one another for scarce financial resources.

CYNTHIA: *I know that with the organizations that we work with they really appreciate our service. Sometimes it can be really really hard to get the recognition and when we are applying for funding we need that feedback from [Charitable Organization A] and from [Charitable Organization B] and anybody else that we supply to, otherwise it doesn't look like we are doing our job. And sometimes it is like pulling teeth just to get a letter of support from them. I don't know why it is like that, if it is their management or if that is the way it is as a general rule. But at the same time then, like we are offering them something or we are looking to partner and it is going to benefit both of us, then right away they are willing to do it. So it is competitive but then it is also cooperative too. I think also that if we were both vying for the same dollars, if we were both applying to the same fund or something, I don't think it would be very pretty, just because the nature of the funding atmosphere in Calgary, everybody's is going to need that money. There are charities that go under, so, I think it is probably a little scary actually between if you were to compete with your partner for the same amount.*

One executive director who was contacted to comment on the evolving theoretical categories in this research saw the category of relationships this way:

The idea of relationships has two parts. If you believe in relationships, that they are a key to success, then you value them and you will build relationships. If you are threatened by relationships you won't work well as a partner... you probably will do everything you can to avoid them. But in a community like ours, how long can you avoid working with others? Organizations that can't get their head around this, who can't change and work with other organizations, will be left out. They can't be sustainable because they won't have anyone to stand beside them or support them if they need it.

Targeted Relationship Building

Senior administrators know that to be sustainable that at times they must target certain groups in the community and develop a relationship with them. For some the approach is strategic, meaning that after some analysis, the nonprofit organization

establishes an internal function that is tasked with the responsibility for developing the desired relationships. At times, a combination of the formal internal function and informal personal connections combine to generate the relationship that is sought after by the nonprofit organization.

ANDREW: We're just starting a fund development department. We have worked real hard to for four years now to break into that corporate thing. And we're just... this is the first year that we have had any significant corporate sponsorship things. So it is just starting to pay off and our impression, and I am sure that if you talk to our fund development people it would be a little bit different, but my impression is that it is often a question of luck and just who you know and that somebody can unexpectedly make a difference by bringing a contact on board or something like that. Suddenly, you've got a corporate sponsorship, you know, but a lot of hard work goes into... a lot of letters that get written and a lot of "nos" that get received you know. But if you just happen to luck in you can get it. And I think that when I look around to some of the other agencies I work with, it's often like that too. You just happen to get the wife of a CEO on your board or you know, or, or, stumble across some CEO that believes in what you're doing. Then, bingo, you get corporate support and that can be substantial.

It is common to have the relationships that are formally developed create spin off benefits including both new relationships within the same target group and new relationships with organizations outside of the original target group. With the new relationships come new opportunities to ensure sustainability for the nonprofit organization.

DAVID: When I look at our organization, we are probably not your typical small, medium organization. We have those corporations behind us that have supported us.

RESEARCHER: So that gives you some additional leverage?

DAVID: Exactly. Because it provides the resources, they provide things like they have done some stories on us at Christmas time. So it exposes our different clients to what we are about. And it opens up the door for other resources as well, like, funders that we go to, they have read about us, they know about us. So, whereas another small organization that has done really good work when they apply

for a fund, maybe the same fund, because the funders have never heard of them, they might not have that same opportunity to access funds.

For smaller or new nonprofit organizations, the relationships that the senior administrator has with other organizations are critical to establishing its place in the community.

DAVID: *I had really good relationships with Global TV and they would come out every time. So those type of things helped us create a place in the community. It creates stability for our funders as well. People in the community actually see and hear about some of the good things that we do as well. The media calls us when we advocate on our clients' behalf.*

Senior administrators balance the changes in relationships over time. They also juggle the effects of having new relationships emerge. With each relationship comes the negotiation of the scope and scale of the relationship. These negotiations put the senior administrator in the position of determining how open or closed the boundaries around the nonprofit organization are and how far into the community the boundary of the organization will extend. At times, a relationship offers a resource to facilitate this process. At other times, a relationship is developed very quickly with little time for the partners to grow to understand one another.

NANCY: *Our funding... our relationship with our funders is very strong. I would say it is very strong, very positive. With Calgary Rocky View or Region 3 that came about because of the development of Point Source for Children and we were developed out of the change with Children's Services when there was all the restructuring going on so we specifically came out of that. And when we were doing the planning phases for Point Source for Children we actually had [person's name deleted] from the Authority to help facilitate the process. So that... I think that for us that was a really nice foot in to building relationships. Then... our contract managers had changed for the first few years and then we had the second one for the last two or three I guess. So it's just been... so the relationship has just been developed... communicating with one another. Identifying our needs. Being*

honest about those needs and I think our contract manager has been honest with us about what is available and what is not available through the government. With the Mavericks that relationship, again, came because we got the phone call... "Are you interested?", we said, "Yes". And they chose us and at that point myself and the chair of the Mavericks [a community funder] just started communicating back and forth and we developed an executive to work together between the two groups. And so we try to meet on a regular basis. As well, I speak with the Chair ongoingly throughout the year about different things that come up and opportunities that arise and they also provide volunteers for our casino and different things like that. So again, I think it's been a relationship for communicating and keeping everybody informed of what's going on for us as an organization, where our needs are. As well, the Mavericks saying to us, "this is what we can do, this is what we'd like to do, this is really what we'd like to move forward with". You know they have really challenged us to look at some of the issues that you and I are just talking about. How do you diversify and look at the ethical issues around that new program. And so, I think the relationships have been developed just a lot through honest communication and setting the time to nurture those relationships.

For smaller nonprofit organizations, an expansive view of the future has vast implications for the sustainability of the organization in its current form. Senior administrators may see relationships as the way to expand beyond current organizational limitations. While some consider growth through fundraising, other senior administrators may hold a broader perspective encompassing a variety of alternatives. One alternative is merging with an organization that the nonprofit organization has a relationship with and where there is sense of similarity.

RESEARCHER: *Would you merge with other organizations?*

CYNTHIA: *Possibly. It is not really set in stone quite yet. It is just a new idea that has come up in the last five months or so. But it is millions and millions of dollars that we would have to be looking at fund raising, so, we cannot even look at it right now. It would be impossible. We can't supply enough lunches to the need in Calgary yet because our funding is not enough. Once we can do that I think, then we can start looking at more. Once the scholarship program is in place then we can start looking at low*

income housing and developing the social working aspect of it. We would like to grow into something as large as Wood's Homes, as large as the Salvation Army and the Mustard Seed and be as efficient as they are and that is one of our very far looking goals for that. It also depends on our sustainability and whether it is achievable or not. Yeah, so we'll see in five years what will happen.

Organizational Uniqueness

Organizational uniqueness is the theoretical category that captures the elements of the nonprofit organization that senior administrators see makes it unique in a community. Being unique in some way is seen to be an important way of being sustainable, provided that the demand for what is unique continues. Within this theoretical category are the subcategories of agency uniqueness, unique product or service offering, and values.

Agency Uniqueness

For senior administrators, being unique as an agency means finding something that the organization can undertake that sets it apart from other nonprofit organizations in the community. Having the knowledge of what other nonprofit organizations are doing is a great asset for senior administrators interested in highlighting his or her organization in the community through its uniqueness.

DAVID: And when you mention the difference between a larger and a smaller organization you know, the way I run an organization is probably very different to a lot of other people. I don't look at what other people do, I look at our self and say, 'what do we have to do?' I don't look at that organization and they have a fund raiser so we need to copy. I always believe that as an organization that we have our own unique component that we want to keep in the organization. And I think that uniqueness to our organization has never given up that cutting edge.

And,

DAVID: *Well, our area of expertise is immigrant youth. I think there was different organizations working with youth in Calgary. There was the Boys and Girls clubs, the YMCA, so basically the group of kids that we are working with were not going to those programs but they were saying that they serve everybody but they weren't adapting their programs or their organizations to take these people in. Where Youth Impact came about we can do programs where we can get kids to come out to our programs because we do things a little bit differently, from hiring people that speak a second language, to making sure that language is not a problem. The other programs if you don't speak English, you are kind of hooped, so here we make those adjustments.*

What is unique about a nonprofit organization can also be used by the senior administrator to secure funding. This can be a powerful strategy when it is the mission or purpose of the organization that is unique. In other words, that the nonprofit organization is set up to address something in the community that no other organization currently does can be an inroad to acquiring funding support.

CYNTHIA: *I think that it is really only our organization that is actually providing lunches to children. That's a pretty big draw because otherwise they are not eating during the day. We are helping them actually get into those organizations. It must be very appealing then to funders because we have had a lot of success in the last year.*

RESEARCHER: *Have you had any direct feedback from funders on your mission?*

CYNTHIA: *Actually, I just met with the Wild Rose Foundation this week and they are extremely impressed with the program.*

Senior administrators are also likely to engage his or her board of directors in discussions regarding the uniqueness of the organization in one of two ways. First, to more fully articulate existing elements of the nonprofit organization that are thought to be unique. Second, to consider developing aspects of the nonprofit organization that will be unique at some point in the future.

DAVID: *It is like a Disney movie, you know, Disney doesn't, they do do a movie, and they might not make money off the movie but just the*

fact that people come and see the movie and they learn about the different products and toys that they can buy that they make money that way. And it is the same type of idea for our organization when we have our banquet, we bring out our students, and we celebrate the organization and quite a few people say, 'wow they are a pretty unique organization'.

DAVID: *You know we have grown and we have got to the point where we, as an organization, have had retreats to talk about, okay, 'how do we want to shape Youth Impact?' And we talk about, we use some business models as well, like there is MacDonald's where they are trying to pop up MacDonald's everywhere. So we talk about our programs, should we just pop them everywhere? We don't like that approach because we believe we are watering down our product, our services. Where we believe, there is an example like Peter's Burgers where there is just one location, they know what they are doing, they just do burgers and shakes, they are not going to go into pizza or whatever. And they are very successful, they know what they are doing, and the community knows what they are all about. And that is kind of the model where we are at you know. We have had requests, you know, 'well why can't you go in this direction? Why won't you do this or this?' But for us going in that direction is sort of like Peter's going into pizza for our product.*

And,

RESEARCHER: *In terms of the way that you have viewed the role that Destiny Child Care has in the community, have you undertaken anything really specific to create your own niche? You alluded to that earlier, sort of branding Destiny Child Care as a unique property. Have you actually undertaken something formally?*

ANDREW: *Yeah. Yeah. Both the kinds of programs we run which are different than anybody else's, in our advertising, and in our initiatives, and our strategic plan we have, you know, addressed those kinds of things. A lot of it has to do with identifying gaps in the community and being in a position to fill them.*

RESEARCHER: *How does that work relative to other agencies that might have similar mandates as yourself? I mean has it been a clarifying experience...*

ANDREW: *No, I think a lot of it comes down to philosophy and when you are a social service or an educational service or something like that, I think it is important for the consumer, the public to have*

choices. And so we try to make our service clear so that we can provide them with a choice as compared to another agency's services, for example. And so our philosophy drives the kind of choices that we... and our mission, and our values, drives the kinds of choices that we provide. And if we find that those choices aren't relevant, then obviously we have to go back and do some more strategic planning...

Unique Product or Service Offering

For senior administrators, the competition for funding to run his/her organization's programs can drive how the nonprofit organization chooses to set itself apart from other similar organizations. One way senior administrators do this is by creating a particular attitude regarding why the organization is offering certain services and not others. This attitude is communicated by staff and volunteers to the community as a whole however, funders are a specific target audience for messages related to unique service or product offerings.

ANDREW: We're competing for scarce dollars and we are competing because there is more service and more differentiation of services. We're having to think about marketing and staking out our services and thinking about what our service is and you know, what our unique selling proposition is kind of thing. Even though we are a service, we have to make it clear why we are providing this service and not other services or whatever...

On occasion, uniqueness can become a liability. This can be the case when the target audience, funders for example, either do not understand or do not value the particular uniqueness that the nonprofit organization is trying to put forward.

SUSAN: Well, there is not really one single strategy, you know. It is a combination of many things. We have a historically very low level of government funding... because we have only been funded by Canada Council for four years for operating grants. Initially, Canada Council didn't recognize jazz as a form of dance they only funded ballet, modern, and experimental.

RESEARCHER: Really?

SUSAN: *And then when we were technically allowed or invited to apply we were denied funding for many years on the grounds of lacking artistic merit. We have struggled with Canada Council with what big “A” art and our work is very accessible and entertaining and so therefore by some of our critics they feel it is not as worthy or perhaps feel it is too commercial. And jazz dance, because also we are very unique in what we do, we are the only company, one of the only companies in Canada, and one of the few world wide that are committed to jazz. And so when you work with a peer assessment model, which Canada Council does, the challenge is that we don’t have peers so we tended to be assessed by people that were trying to assess us according to their aesthetic, rather than really on what we were accomplishing.*

Values

Values are one dimension of organizational uniqueness that gives a nonprofit organization confidence when it considers viability and sustainability. The time taken to create the values statements that represent what an organization stands for, what it believes in and how it will conduct its business can be significant as are the conversations with stakeholders along the way. This process builds a shared sense of purpose and being that builds loyalty and passion within the nonprofit organization. The character of this will be unique to each nonprofit organization and will be especially strong if the organization still has a connection with its founders.

SUSAN: *I think the only thing is what I spoke about earlier with Canada Council’s lack of understanding and respect for what we were doing because we were doing something different. But I think the one that has been... contributed to Innovations Dance Company success is being very steadfast on what we want to do. We haven’t deviated from it. So we’re not... at our strategic planning session, we’re not looking at “okay, why are we here and what are we doing.*

RESEARCHER: *Right.*

SUSAN: *So it has allowed us to go forward, to the best of our resources, and not wasting a lot of time refocusing. I think also, that the founders... we are still founder driven.*

Ethics

This theoretical category cuts across all of the categories discussed so far. As a result, echoes of this category are heard in the words of all the senior administrators as they discussed how they and their organization addressed sustainability. Within this theoretical category is the single subcategory of responsibility to the community.

A practical way of viewing ethics as a topic within the nonprofit sector is to look at six core ethical concepts that have been built into ethics statements for professions unique to the nonprofit sector – fundraising and volunteer administration. The six core ethical concepts were generated by the Josephson Institute for Ethics and are: trustworthiness, respect, responsibility, caring, fairness, and citizenship. Ethical principles are articulated and examples of practice reflecting the core ethical values and principles given in each profession. As an author of the ethics statement for the profession of volunteer administrators, I have spent the past 15 years reflecting on how ethical values undergird the activities of the nonprofit sector. The few examples from the interview texts serve to remind us of the ethical content of what has already been said by senior administrators in the sections above.

DAVID: To tell you the truth, I don't know if I am fully in tune.... I guess that the funding sources that you are talking about I don't know what sources they are pulling it from and I think that in the world that I live in, in terms of the funding sources that I have gotten, that hasn't filtered down to our organization where that is even something that we have even thought about in terms of losing some funding to a hospital or whatever it is. But I think from my personal view, that I think if it does happen, I think, what it is, is like robbing Peter to pay Paul, there is that type of attitude.

Responsibility to the Community

For organizations working with the disenfranchised, the current discussions in the sector around a civil society seem misguided when the economic drivers in a community are seen for what they are – a way of benefiting the wealthy at the expense of the poor.

CYNTHIA: *I have to look at it a different way just as a political scientist, society is a different thing to us, so in terms of a nonprofit though.... I'm not really sure what Calgary is holding for us. Somebody asked me just this week what would happen if funders decided that they didn't want to give money any more and it was up to the municipal or provincial governments. Honestly right now I cannot just put my faith in that. There is just not enough money coming into this area. We've got tremendous need, we've got thousands of organizations that are all vying for the same dollars and there is just not enough to go around. I guess that you could say in that respect that civil society is just building or is nonexistent at this point in terms of nonprofits because it is not functioning, there is no understanding between those who should give some and those who need it. I don't know.*

Sometimes the senior administrator knows that ethical standards and policies should be in place and that there are real benefits for doing so. The board of directors, however may not value those same things, focusing on the metrics for efficiency and effectiveness. What happens with the senior administrator grasps the idea that ethical standards and sustainability are part of the same equation and the board does not?

CYNTHIA: *The only thing that I can think of because we are so new, well we are not new, we have been here since 1990, but the management was just so different and not effective at all in the first twelve years really. Like our board doesn't really have a code of ethics so we don't have a plan of sustainability, we don't have any structures, or policy in place, so, technically we could be an organization that just runs with the money. They are not going to of course, but, that is something that funders do look at. I know that I had written a huge application to a particular one that asked all those questions and my answers were "no" and I couldn't help thinking that we are definitely not going to qualify for the money. We just don't look structured enough. We don't have any history at all, well we do, but it just seems that we don't just have those policies in place. In terms of do I think it could be a potential problem, it is something that I am looking to develop in the next year. Lots of policy planning. Lots of training for our board members just to make sure that our organization is efficient and running effectively and legally.*

The enticement of a large sum of money from a funder may provide the basis for senior administrators rationalizing almost any undertaking or accepting any conditions to secure the funding being offered.

CYNTHIA: *I can see that being a problem in that because really you are so desperate for the money you will do what they ask you to do, you know, if you really want that hundred thousand that they are offering you or whatever, you will do what they want you to do. For us if somebody offers us a hundred thousand dollars, that is our budget almost.*

Senior administrators may not see ethical issues associated with the establishment of dependencies in vulnerable clients in order to ensure that the organization has a reliable cash flow. For example,

ANDREW: *And so, because children will be coming to a pediatrician to be assessed, then of course the pediatrician being on site would say, "Well, your kid needs to be at Destiny Child Care" so you know, we could keep our enrolment full. And we are doing things like expanding into the community and we have opened three sites this year for example. But these are all ways to keep our enrolment up 'cause that is the core part of our business.*

Explicit work with values and ethics may be part of a nonprofit organizations maturing and growth. As stability – financially or in human resources, for example – comes with time, opportunities or pressures to address ethics and values emerge. Participation in work involving other agencies can be an impetus for senior administrators to undertake work on values and ethics. Initially the exploration may be tentative and informal but it stands out for senior administrators as a milestone of organizational growth.

RESEARCHER: *Have you formally looked at some of these ethical issues or developed a values base or articulated some values that would kind of help you negotiate some of these decisions?*

NANCY: *That's right. We certainly do have discussions, but we have never articulated it. We certainly in different planning sessions throughout the years, we have documented our values and our*

beliefs but we have not formalized it to a point that I guess if we were in a position where we really had to challenge whether or not something truly fit us and really had to ask those questions. We don't have a process to do that. We haven't formalized that. At this point I think what we're going through is a growing state where it is those kinds of things that are coming to the forefront for us as an agency now. I think because we are almost six years old, on one hand we've grown up a lot in six years. On the other hand we've hit a point where it is like, "Okay, wow. Now we're going to play with the big boys" in the sense that we have developed and formed strong reputations and relationships with the community. We are recognized as the experts in our area of service. We are asked to participate in different kinds of committees so we have done all that work. We have a very strong reputation and relationship with families who use our service and know that. And it's like we have hit that point where it is like, 'what's next?'. And that's the piece that we're really exploring.

A challenge for senior administrators is acknowledging that the values base from which ethical behavior is derived changes over time. The balance between identifying and then upholding values and changing values to remain contemporary with societal values shifts is tangible for some senior administrators:

ANDREW: You know I am getting near the end of my career and I guess I have seen it all and I have seen it around two or three times. And you know there are fundamental practices that haven't changed over the years. You have to adhere to that and not go with the fads. And we see the same thing in our business of sort of educating children. You know there are some core things that you have to do and those things haven't changed no matter what the fad is. Every five years a new fad comes along and says you should be doing this...or doing that. Well if it makes sense in terms of your core values, then you do it. You have core business values too which are those things you talk about, being ethical, accountable, moral, in some general sense moral, not lying, not trying to deceive, and not playing games you know those sorts of things. That has been part of business practice forever. And so they become issues, sort of public issues when somebody screws up but most of the people have been doing those things forever anyway.

Values guide behavior and standards. For a nonprofit organization, the transmission of values to staff, volunteers, clients and other stakeholders in the community is an important part of the organization's identity particularly in the selection of the means by which it seeks to fulfill its mission in the community. Senior administrators have a role in ensuring values are transmitted internally and externally to the organization. While some nonprofit organizations may stop at listing core values in annual reports, other organizations try to engage people in discussions about what the values mean to the organization and to the individuals connected to it.

ANDREW: *Talking about them. I do a lot of talking about them. And all my key people have worked for me for many years and they know how I think, they know that on certain issues that I am unbending and when I talk to staff, say we have just come through the beginning of the year with new staff of board, that first staff meeting is all about values. And... but even before they get hired, we talk about values. And they are hired because they have answered questions that indicate that their values are similar to ours, you know, with obvious tweaks or something like that. And when we have had external evaluations of our agency, they have always commented on how everybody shares the same philosophy. It's nice. It is something that I work at...*

RESEARCHER: *It would seem too, from my perspective, that a solid set of values that people understand... adhere to and understand, really goes towards strengthening the mission. Like, you are not going to be easily knocked off course because you have got that as a strong...*

ANDREW: *Right. And in our business there's lots of fads that come along. About every three or four years there is a new disorder for children that becomes the fad disorder and some programs will start up and say "We are specialized to treat this disorder". Well, that's fine. Maybe they do a good job, maybe they don't but it seems to me how you treat children doesn't change particularly with the kind of disorder that they have. There are certain things that have to change to meet the child's individual needs but you always got to do that anyways so as long as your program is responsive to the child's individual needs, it really doesn't matter what disorder you come to. So then what happens? Suddenly that disorder isn't the fad. Well what does that agency do? They go*

and chase after the next fad or something like that, you see. Our philosophy is much more what do children need?

When asked to comment on ethics as an emerging theoretical category in the research, a director of a library system commented that:

Ethics is the way we zero in on our mandate. Our mandate is to bring library services to every member of the community. Our library has a responsibility because we operate from a tax base to... and ethics... these values makes things hard in the short run but in the long-term, we know that there is really something worthwhile to be sustained.

Summary

The perspectives disclosed in the texts cited above, the full interviews, and the numerous other conversations that I was part of in my role within the nonprofit sector all coalesce around the boundary that separates an individual nonprofit organization from the world around it. The theoretical categories describe the ways in which a nonprofit organization perceives itself in relation to the world around it. Opportunities and threats are conceived of as being connected to the independent action of other actors in the world outside of the nonprofit organization. The views of senior administrators are the perspectives taken while on the boundary between his/her organization and the rest of the world. Each of the theoretical categories explains a different characteristic of that boundary. For example, the kind of information that goes from a nonprofit organization to the outside world can create a risk to the organization. Acknowledging this risk, nonprofit organizations attempt to control the information going out. So too are relationships controlled, credibility managed, and organizational uniqueness defined. The boundary between what is the nonprofit organization and the larger community is a tentative place where many kinds of exchanges can take place depending upon how open the nonprofit organization is to being part of the exchange. While this forms the heart of the next chapter, the categories detailed above, sketch out the primary characteristics of a boundary for a sustainable nonprofit organization. They also strongly suggest that a

nonprofit organization that lacks the capacity to be interactive with the larger world is likely not going to be sustainable in the long term.

Because the seven theoretical categories represent aspects of what is at play across the boundary between a nonprofit organization and the rest of the community, an over arching core category can be suggested. Boundary spanning will stand as the core theoretical category supported by the remaining theoretical categories of risk, learning organization, sustainability, credibility, relationships and ethics. The term 'boundary spanning' is a common term used in the nonprofit sector to describe activities that are undertaken to connect a nonprofit organization with the community or the nonprofit sector with the other sectors in society. More detail is provided later in this thesis on boundary spanning as a core category.

CHAPTER FIVE: CONNECTING WITH THE LITERATURE

In Chapter 3 a snapshot of the kinds of research on the nonprofit sector that have been undertaken in Canada was provided. I have read much of it and engaged in discussions with several of the researchers around the implications of their research on the nonprofit sector broadly. I was fully expecting to be citing examples from this collection of research within this thesis. However, grounded theory situates the literature review phase of research so that it occurs *after* the fieldwork and *after* constant comparison has generated theoretical categories. It is intended in grounded theory that the data and the emergent theoretical categories point to the kinds of literature that need to be considered. The literature being pointed to was not at what I expected. Instead of examining research on donations, effectiveness and efficiency, or human resources management, for example, I was being pointed towards literature that included theories about boundaries, identity and political movements. That the researcher is placed in a situation of having to contemplate areas within the literature with which he or she is unfamiliar is a strength of the grounded theory approach. Researcher preconceptions and over familiarity with specific bodies of research may blind him or her to what the data is suggesting. Grounded theory presents the very real possibility that the researcher will be put face to face with the unexpected and therefore uncovers something new.

The grounded theory approach continually abstracts from texts through to subcategories and theoretical categories and finally, at the most abstract level, to a grounded theory. To do this the *in vivo* texts are constantly compared and the themes that emerge from these texts are identified as theoretical categories. Over the course of the research, initial theoretical categories merged and coalesced resulting in the seven main theoretical categories. As the categories reached saturation – the situation when additional conversations no longer added to the categories or when existing categories became repeated in additional interviews – the field research concluded. The remaining task is to derive from the categories an overarching substantial theory that would address the question of sustainability within the nonprofit sector using the categories. At this

point in grounded theory work, I will turn to the literature to seek established theory or models that address the theoretical categories and the evolving substantial theory.

The initial consideration of the categories suggested that the kind of relationships that nonprofit organizations had with staff and volunteers inside them and the world outside could be the basis upon which a theory of the sustainability of nonprofit organizations could be developed. In reflecting how the theoretical categories discussed above are interrelated, it became evident that the theoretical categories spoke to the ways in which social actors conceptualize and categorize people, practices, perceptions of reality, and “symbolic resources” (Lamont & Molnar, 2002) such as cultural traditions and interpretive strategies (p. 168). For example, senior administrators were able to describe how the organization they were with made operational adaptations in response to other organizations and social changes in the community. The theoretical categories then, were descriptive of the relational processes at play in the interface between the internal reality of a specific nonprofit organization and the larger social world outside of that organization. For example, the theoretical category of risk exists only in a relative sense, i.e., compared to other situations, other organizational realities and social conditions beyond any single nonprofit organization.

For this research, boundaries – that place where the inside world of the nonprofit organization meets the world beyond – embodies each of the theoretical categories discussed earlier. A boundary serves to indicate the limits of a thing, a nonprofit organization in the case of this research. In this regard, it can have material aspects such as the building it occupies or the staff it employs. The boundary can also indicate the limits of less tangible aspects of a nonprofit organization such as its reputation or its ability to influence public opinion. Finally, a boundary can also be a thing in itself. For nonprofit organizations, the boundary could be constructed of the systems or processes through which exchanges take place with the world beyond the organization. Contracts, agreements, financial systems, volunteer and human resource recruitment processes could all be examples of systems or processes that make a boundary tangible. A boundary in and of itself does not capture the sense of the interactions taking place between two

organizations that share a boundary. The observation of the importance of boundaries and the interactions across the boundary became the central theoretical construct. Each of the seven theoretical categories represents a component of the internal life of an organization spanning the boundary around it and interacting with the broader external world. “Boundary spanning”, a term common in the nonprofit sector captures both the individuating properties of a boundary and the interactions taking place across it. As such, boundary spanning was selected as the core theoretical category. This will be explained in detail in the following chapter.

As an example, consider registered charities as defined by the ITA. The primary purpose of a registered charity, as discussed in the chapter on the history of Canada’s nonprofit sector, is to provide services in one of four main areas or heads: education, health, alleviation of poverty, and other purposes beneficial to the community. These four heads of charity focus the work of charities on the world around them. They also create boundaries between, for example, registered charitable organizations making up each of the four heads and the rest of nonprofit organizations in the country. Between the two is a boundary that keeps the organization and the world beyond separated into distinct parts that together make up the complex environment within which a nonprofit organization exists.

Registered charities are a specific subset of nonprofit organizations and they have specific rules of operation that give insight into how boundaries arise associated with an organizational form. In the case of registered charities, the existence of a boundary is evidenced by many factors, including:

1. the charity is registered with the federal and provincial governments as a distinct entity and as such has formally recognized structural elements such as a registration number, a mission, a board of directors, bylaws and works towards a charitable purpose;
2. legislation and regulations which actively differentiate organizations, purposes and activities such as the ITA which differentiates between

charitable organizations, public foundations and private foundations (Canada Revenue Agency, 2005);

3. operational and governance structures which serve to differentiate one charity from another and the charity from other organizational types;
4. the capacity shown by employees and volunteers, as well as funders to discriminate between one charity and another;
5. charities perceive themselves to be separate from each other and from organizations in the other sectors and talk about partnerships and other kinds of exchanges between organizations. Separate charitable numbers, purposes, missions et cetera contribute to the formation of separate identities; and,
6. charities actively differentiate themselves from other charities through a variety of methods for the purposes of fundraising, business development, and recruitment, for example. They use the registered charitable number and the resulting ability to offer tax receipts to donors as one way of differentiating themselves.

The federal government requirements under the ITA for a nonprofit organization to become a registered charity define the context within which charities must operate. The ITA and the charities themselves establish unique organizations differentiated by purpose, mission, vision, and charitable goals. Resources such as money and people flow between organizations and this means that information on how boundaries exist to facilitate or limit this flow is valuable information to senior administrators. Depending upon how the boundary is established and maintained, the exchange of information, funding, services, people and so on through the boundary will vary – sometimes encouraging exchange and in other situations blocking exchange. The specific legal requirements of charitable organizations that contribute to boundary formation are also evident in nonprofit organizations not having charitable status but who must also compete for resources. The need to differentiate one's organization from another is at the core of

the many funding campaigns, social awareness initiatives, or service models familiar to Canadians. Several existing areas of developed theory provide ways of viewing the organization, boundary establishment and the nature of its interactions across a boundary.

As this research is exploratory in nature, a broad read of the literature is provided below to identify applicable theory. During the verification process where the ideas of this thesis were presented at conferences or discussed in a public forum, the expressed preference from senior administrators was that the proposed substantial theory and the theoretical constructs remain broad at this early point in the theory's development. As existing theoretical perspectives derived from the literature were presented to these audiences, there was a general agreement that any one of the theories could be the basis for expanding upon this research to specify further a grounded theory on the sustainability of charities.

Understanding Boundaries

The core theoretical category of boundary spanning encompasses the other seven theoretical categories. Together they represent qualities of the boundary existing between a nonprofit organization and the community beyond. The degree to which any of these qualities will be found in any boundary will vary from organization to organization. In their recent review of the study of boundaries in the social sciences, Lamont and Molnár (2002) observe that, "the concept of boundaries has been at the center of influential research agendas in anthropology, history, political science, social psychology, and sociology" (p. 167). They also note that the idea of boundaries has become associated with scholarly work in, "cognition, social and collective identity, commensuration, census categories, cultural capital, cultural membership, racial and ethnic group positioning, hegemonic masculinity, professional jurisdiction, scientific controversies, group rights, immigration, and contentious politics" (p. 167). In general, two broad kinds of boundaries are explored within the broad range of social science research – symbolic and social. Symbolic boundaries separate people into groups and generate feelings of similarity through group membership (Epstein, 1992, p. 232). Symbolic boundaries are

the means through which individuals acquire status and control resources (Lamont & Molnár, 2002, p. 168). Social boundaries are “objectified forms of social differences manifested in unequal access to and unequal distribution of resources (material and nonmaterial) and social opportunities. They are also revealed in stable behavioral patterns of association and manifested in connubiality and commensality” (Lamont & Molnár, 2002, p. 168). When symbolic boundaries become widely agreed upon, they can become social boundaries and constrain, exclude and segregate people. The interplay between symbolic and social boundaries is ongoing as broad changes (e.g., social, technological, economic) generate new opportunities for the creation of symbolic boundaries that may, given time, solidify into social boundaries. In their consideration of the literature, Lamont and Molnár, state:

If the notion of boundaries has become one of our most fertile thinking tools, it is in part because it captures a fundamental process, that of relationality.... This notion points to fundamental relational processes at work across a wide range of social phenomena, institutions, and locations (p. 169).

Anheier (2000) suggests that nonprofit organizations relate to the external world through one of two modes. First, organizations that look beyond themselves to focus on the external world tend to react to “external stimuli and take their models and solutions from it” (p. 12). Such organizations bring information from the outside world across the organization’s boundary and use it internally to then adapt and ultimately explore ways to control external influences (p. 12). Alternatively, nonprofit organizations can be internally focused and emphasize a particular and limited view of the external world derived from the organization’s operational objectives. These organizations do not bring information across the organization’s boundary seeking, rather, to look internally for solutions and strategies to address environmental changes. These two basic orientations for nonprofit organizations – those that look inward and those that look outward – highlight the existence of an internal world and an external world separated by a boundary.

The relational considerations at play within the theoretical categories identified in this research are associated with articulated theory and research in the literature. The following sections consider particular streams of research and theory relevant to the formation of a grounded theory on the sustainability of nonprofit organizations.

Social Movement Theory

One type of cross-boundary activity that organizations can undertake is to form a coalition with other organizations that want to accomplish a similar end. Coalitions have been researched by social scientists interested in social movement theory in a range of areas representing sub-sectors of the nonprofit sector. Coalitions researched include environmental (Lichterman, 1995; Shaffer 2000), labor (Cooper & Patmore, 2002; Reynolds, 1999; Rittau, 2003; Williams, 1999), women's issues (Ferree & Hess, 1994; Rupp & Taylor, 1990; Whittier, 1995), gay rights (Adam 1995), and civil rights (McAdam, 1982; Morris, 1984). Social movement theory identifies three characteristics of coalitions:

1. increased political opportunities or threats increase the willingness of organizations to form coalitions;
2. plentiful resources lessen competitive behaviors between similar organizations and thereby increasing the willingness of organizations to form coalitions; and,
3. coalition formation is most likely when members have no significant identity issues, e.g., concerns about the possible loss of individual identity to the coalition or putting the coalition's identity at risk if the organization joins.

The third characteristic highlights the importance of boundaries in social movement theory especially in the case of coalitions of which there are many in the nonprofit sector. The idea of organizational identity represents the bounds or limits of an organization in terms of what it is and what it does in the community. Identity, in the general sense, can be the boundary itself as the following discussion will present.

Political Opportunity Theory

A particular element of social movement theory is political opportunity theory. Political opportunity theory suggests that organizations begin to work together when they face a significant threat to their interests (Tilly, 1978). The driver for this kind of cross-boundary activity is strengthened when there is a perceived opportunity to access to the political system (Van Dyke, 2003). The threats could be from a number of areas including undesirable social policies, economic loss, “or some other social change that is counter to the goals of a particular segment of the population” (Van Dyke, 2003, p. 230). Almeida and Stearns (1998) suggest that threats and opportunities could come from the judicial system, legislatures, or from economic elites. This would be particularly true when such economic elites are perceived to be undertaking initiatives that would prevent the organizations affected from fulfilling their own interests.

However, organizations that have no common ideological ground may find cross-boundary collaborations to be of no benefit (Gerhards & Rucht, 1992; Lichterman, 1995). Further, some organizations may express concern that cross-boundary collaborations could result in a loss of identity and when this is perceived to be the case, the organization would elect not to participate (Arnold, 1995; Lichterman, 1995). Van Dyke (2003) notes,

Whether or not we consider an issue to be broad and encompass multiple issues depends on the meaning we assign to different terms and often reflects personal viewpoints. This ambiguity notwithstanding, certain issues and events in our culture, almost by definition, cut across... boundaries and therefore are more likely to inspire cross-movement coalitions. (p. 230)

And,

Through shared members, extended social networks, or the media, groups come to realize that they have interests in common with other movement organizations and that their frames share common elements. Through a number of routes, social networks may create solidary and ideological incentives for the formation of cross-movement coalitions. (p. 231)

Thus, while threats and opportunities may provide the energy for cross-boundary collaborations, the impetus to undertake coalition building depends more on how entrenched the group's or nonprofit organization's identity is, and how closed or open the nonprofit organization is to exchanges with organizations beyond their own. Van Dyke's use of the term group has two aspects in the nonprofit sector. First, it can refer to those who come together to form the nonprofit organization – the staff, volunteers, clients who know first hand what the organization seeks to achieve and have chosen to support the fulfillment of that goal. Second, group can refer to a collection of nonprofit organizations - the nonprofit sector, arts organizations, social service agencies, for example – that have elements of a charitable purpose in common.

Networks and shared individual or organizational members may drive collaborative activity at anytime and be especially significant during times of political threats or political opportunity. From the perspective of political opportunity theory, this is an important component of long-term sustainability for nonprofit organizations.

Resources and Organization

Social movement theory addresses the limitations and opportunities of coalitions that necessarily compel an organization to move beyond its own unique boundary. Van Dyke (2003, p. 228) scans the research and notes that a significant research tradition has demonstrated that coalitions require organizational and economic resources.

Organizational resources come in the form of willing participants – members – of the coalition that have the capacity to contribute to the broader initiative while feeling secure that his/her identity is not at risk. Not surprising is the general finding in the literature that coalitions are more likely to form in times of plentiful financial resources, when competition between organizations is less energized. This is particularly true when the members of a coalition are very similar, for example, a coalition constituted of all environmental organizations. This is not necessarily the case of the coalition is made up of organizations that operate in different activity areas, for example, a coalition of an arts

group, a children's services organization, and a disability services organization. Van Dyke (2003, p. 228) concludes,

Therefore, within-movement organizational coalitions may be more likely in locations that enjoy more plentiful economic resources. However, economic resource availability may have little impact on the formation of short-term cross-movement coalitions.

Minkoff (1997) supports this while clarifying the situation by finding that coalitions of organizations that share the same goals and constituencies will be more internally competitive than a coalition made up of organizations that have differing goals and constituencies. According to McAdam (1995), movement organizations and associational networks are the conduits for cultural diffusion.

Van Dyke (2003, p. 229) also demonstrates that the literature shows that the ability to organize is crucial to sustaining a coalition. Bringing together in a meaningful way a number of organizations and focusing the collective energy on an overarching goal, changing a government policy for example, requires an organizing framework. The organizational structure taken by the coalition will determine how effective the coalition will be in achieving the overarching goal. The absence of an organizing framework could mean the break up of the coalition as each member organization seeks to have its own goals and objectives met.

Theoretical Perspectives on Social Identity

Social identity refers to those aspects of an individual's self-concept that are derived from membership in a significant social category or group such as gender, work team, organization, or nationality (Turner et al, 1987). Tajfel (1978) distinguishes between social identity in situations where individuals behave towards each other as individuals and situations where they behave towards each other as members of separate groups which "stand in certain kinds of relations towards each other" (p. 7). He proposes

four interrelated theoretical continua having these two situations as end points. The continua (p. 7) are:

1. interindividual/interpersonal behavior to intergroup behavior
2. individual differences in attitude and behavior towards an out-group to complete uniformity of behavior towards an out-group.
3. beliefs about and treatment of out-group members based on individual characteristics to beliefs and treatment of out-group members as “undifferentiated items in a social category” (p. 7).
4. the structure of beliefs about a social system that allows for easy movement of an individual from one group to another to the structure of beliefs that make movement of an individual between groups very difficult.

For the purposes of this research, the focus will be on latter end of continua above – in other words, this thesis will take the perspective of how individuals behave towards each other as members of separate groups that stand in some kind of relationship to one another.

Three areas of theory within this broad research domain are applicable: social identity theory, self-categorization theory and common in-group identity model. Each of these will be discussed below.

Social Identity Theory

Social Identity Theory builds on the concept of social identity to explain group processes and inter-group relations (Hogg & Abrams, 1988; Tajfel & Turner, 1986; Tajfel, 1982). The basic premise is that individuals develop his/her sense of self-worth from his/her membership in one or more groups. Hogg (1996, p. 67) observes that, “social identities have important consequences for the way individuals evaluate themselves and others, groups and their members are motivated to adopt strategies for achieving or maintaining intergroup comparisons that favor the in-group, and therefore

the self". What 'is' a group may include a range of between one and three components (Tajfel, 1978):

1. Cognitive: the knowledge that one belongs to a group;
2. Evaluative: the knowledge that the group and/or one's membership in the group has a positive or negative value connotation;
3. Emotional: the knowledge that the cognitive and evaluative components have emotional aspects directed both towards one's own group and towards others that stand in relation to it (pp. 28-29).

While there may be variations between individuals and groups on the mix of these three components, they provide some general sense of what needs to be present for a group to exist. In the case of my research, the group often refers specifically to the nonprofit organization, its staff and volunteers. At some points though, for example when partnerships are discussed by senior administrators, the group may be a collection of nonprofit organizations (e.g., all arts groups) or nonprofit organizations as a whole (e.g., the nonprofit sector).

Group membership becomes a principal element in the process of categorization – the cognitive process that people use to make sense of their surroundings by drawing distinctions between various stimuli and assigning those to relevant categories (Terry et al, 2000; Hogg, 1996). Self-enhancement is the second process within Social Identity Theory that describes the individual's need to draw favorable comparisons between one's self and others. Self-enhancement involves the creation of group norms, stereotypes, and beliefs et cetera that enhance one's social identity in contrast to relevant out-groups. Out-groups is the term used to identify those who reside outside of the boundaries of a group, for example, other incorporated nonprofit organizations working in the community. In-group is a term that refers to those who reside within the boundaries of a group, e.g., the employees of a nonprofit organization.

Self-Categorization Theory

Self-Categorization Theory (Turner et al., 1987) emphasizes the cognitive categorization experience and can be described as an extension of Social Identity Theory (Hogg & Terry, 2000). Social Identity Theory addresses the effects of social identity on intergroup dynamics whereas Self-Categorization Theory focuses on intragroup phenomena. Individuals are seen as manifestations of a perceived group identity such that the individual “cognitively assimilates the self to the in-group prototype and, thus, depersonalizes self-conception” (Hogg & Terry, 2000, p. 123). The cognitive process transforms the self into an archetypal representative of a social group. Through this process people come to see themselves primarily in terms of their social group memberships so that as Duck et al (2000, p. 269) observe, “I” becomes “we” and “me versus you” becomes “us versus them”.

Common In-Group Identity Model

The common in-group identity model (Gaertner et al., 1993) examines the phenomenon of intergroup bias in which individuals of a group favor members of his/her group over members of another group. This model proceeds from the observation that members have a “pro-in-group” rather than an “anti-out-group” orientation that comes about through the categorization process that is a consequence of social identity development. The favoritism shown by members towards the in-group has implications for how group members view others internal and external to their group (Dovidio et al., 1997). Gaertner et al. (1993) posited that this intergroup bias is reduced when members of different groups come to see themselves as part of single group. When this occurs, a redefinition of out-group members as in-group members takes place. “By redefining original out-group members as in-group members, the cognitive and motivational processes that originally contributed to intergroup bias and conflict may be redirected toward establishing more positive intergroup relations” (Dovidio et al., 1997, pp. 402-403). Three situations can exist:

1. Categorization – group members perceive that have separate and unique group identities meaning that no new inclusive group is formed. Group

boundaries are maintained and intergroup biases are maintained or enhanced.

2. Decategorization – group members perceive themselves as unique individuals more so than members of their original groups. Understandings, feelings and behaviors toward former in-group members are diminished somewhat making them more equivalent to out-group members.
3. Recategorization – group members perceive themselves as sharing a new common group identity. Members are more positively oriented towards former out-group members.

Categorization, decategorization and recategorization have consequences for how individual group members behave with in-group and out-group members across intergroup and intragroup boundaries. Rosenberg and Trevino (2003) identify main behavioral effects to be individual and group productivity, intergroup cooperation and competition and helping behaviors. From this, they develop the final theoretical model I will discuss – the between-group helping model.

Between-Group Helping Model

Rosenberg and Trevino (2003) build upon the theoretical foundations discussed above and using a consolidated set of key antecedent variables leading to between-group helping behaviors. The antecedents of between-group helping can be classified into inhibiting and facilitating factors of recategorization. Inhibiting factors lessen or detract from between-group helping while facilitating factors enhance or add to between-group helping. Inhibitors of recategorization in the model are a strong in-group orientation bolstered by exclusive group categorization and intergroup bias. Contributing to these inhibitors is the strength of the members' identity with the group. Organizational inhibitors include an individualistic culture, lack of goal congruence between groups, low task interdependence between groups and unfair treatment of groups. Facilitators of recategorization are a strong out-group orientation represented by inclusive group

categorization and the breakdown of intergroup bias. Organizational facilitators include strong goal congruence between groups, high task interdependence between groups and a collectivist culture. Two additional variables supporting between-group helping are intragroup helping norms and slack. Intragroup helping norms are rules to regulate and regularize behavior. For example, a group that values cooperative and supportive behaviors has normalized these such that they will likely show up in interactions between groups and be important and supportive factors in recategorization. Slack refers to the additional resources available to an organization that would permit the group to commit additional time, money or talent towards non-core activities such as between-group helping. The more stressed an organization is for resources, the less likely it is to be willing to expend anything on non-core activity. Rosenberg and Trevino highlight the risks of not engaging in between-group activities when they summarize their work by stating that,

The fact that individual-level, extra-role behaviors have received considerable attention in the research literature suggests that organizational scholars are learning that... any organization in which performance is limited to formally prescribed behaviors will have problems. It makes sense to extend that logic to the work performance exhibited by groups. Thus, any organization that does not consider how to encourage extra-role behaviors from its teams will fail to utilize those teams to their fullest potential. In a related vein, a group's failure to display BGH [Between Group Helping] could cause organizational problems (p. 169-170).

Summary

This chapter provides an examination of existing theory related to the theoretical categories identified in this research. The importance of boundaries in the development of a theory of sustainability for nonprofit organizations is made clear. The concept of boundaries was found to be central to research in a number of areas including political science and sociology. The definitions of symbolic boundaries and social boundaries provide a foundation for understanding the ways in which groups acquire status, control resources, then exclude, and segregate.

The core theoretical category of boundary spanning indicates direct connections to social movement theory, political opportunity theory, social identity theory, self-categorization theory, common in-group identity model and the between group helping model. Scans of research work relating to the nonprofit sector did not locate any previous references to these bodies of theory. The application of these theories and models to the nonprofit sector appears to be unique to this research work.

CHAPTER SIX: THEORY OF SUSTAINABILITY FOR NONPROFIT ORGANIZATIONS

Generating theory is the primary purpose of grounded theory research. Two broad classes of theory can be generated through the grounded theory process: substantive theory and formal theory. Substantive theory addresses specific empirical or applied tasks (McNabb, 2002, p. 310). Substantive theory is “grounded in the research on one particular substantive area” (Glaser & Strauss, 1967, p. 79) which in the case of this research is sustainability of nonprofit organizations. As a contrast, formal theory addresses broader and sometimes philosophical issues (McNabb, 2002, p. 310). Glaser and Strauss (1967, p. 32-33) consider both types of theory to be “middle range” meaning that they fall between practical working hypotheses (McNabb, 2002, p. 310) and grand theories. Substantive theory, however “provides the stimulus to a ‘good idea’” (Glaser & Strauss, 1967, p. 79) so that over time with additional research, a formal theory can be developed.

The theory generated because of this research is a substantive theory intended to focus and energize further research into an area of immense importance to social infrastructure in Canada. The services associated with Canada’s social safety net – a term connoting the broad range of health, social, educational and other services upon which Canadians rely – are provided in large measure by the nonprofit sector. Having a greater understanding of the sustainability of nonprofit organizations contributes to sustaining services upon which millions of Canadians depend.

What follows is the formulation of a theoretical framework that ties the theoretical categories identified in the research with the literature discussed in the previous chapter.

Theoretical Framework

Boundary spanning emerged as the central theme represented in the experiences of senior administrators of nonprofit organizations and was supported with subsequent testing of the theoretical categories within the nonprofit sector in Canada and the United

States. Boundary spanning was chosen as the core category because (1) it is central; the other theoretical categories relate to it; (2) references to it occur pervasively in the data, e.g., references to other organizations or sectors; (3) it can explain variations in perceptions of sustainability (e.g., it explains how different organizations having different interactions with the community at the organization's boundary have different experiences with sustainability); (4) it explains the evolving nature of the social phenomenon being researched; and (5) as a theoretical concept it is abstract enough to suggest further research in other substantive areas related to the sustainability of the nonprofit sector.

With boundary spanning as the core category, the theoretical framework associates the seven theoretical categories and the associated indicators as discussed in the data analysis above. The overall theoretical framework is illustrated in Figure 7.

Perceptions of Group

Both of the major clusters of theory – social movement theory and social identity theory – centre on the notion of 'group'. For the purposes of this discussion group will mean the nonprofit organization. Other options could be clusters of people within a nonprofit organization (e.g., work groups or teams) or clusters of nonprofit organizations (e.g., the nonprofit organizations providing services to seniors). Since the information gathered from senior administrators was at the level of an incorporated organization, it makes sense that our discussion remains at that level.

A natural starting point in theory development within this thesis is an examination of how the existing theory and the theoretical categories from the research relate to perceptions of group. Each of the seven theoretical categories speaks to the conditions experienced at a boundary: awareness of the group as known within the boundary and awareness of the group as opposed to other groups beyond the boundary. Figure 7 below, presents the principal elements of the theoretical framework on sustainability for the nonprofit sector.

Figure 7: A Summary of the Theoretical Framework for Sustainability of Nonprofit Organizations.

| Core Theoretical Category | |
|----------------------------------|--|
| Boundary Spanning | |
| Category | Indicators (Sub-categories) |
| Risk | Over commitment of human resources Threats to viability Message control Exodus of talent Exodus of members Expressions of power |
| Learning Organization | Capacity for thinking critically Novel resource utilization |
| Sustainability | Culminating conditions Innovation |
| Credibility | Perceptions of agency activities Governance volunteers build reputation Stable employee base Evaluating organizational effectiveness |
| Relationships | Fear and competition Targeted relationship building |
| Organizational Uniqueness | Agency uniqueness Unique product or service offering Values. |
| Ethics | Responsibility to the community |

In the sections that follow, each of the categories will be discussed. In this discussion, the contribution of the theoretical category to the theoretical framework will be outlined.

Risk

Risk is linked to social movement theory through the issue of resources (e.g., money, membership, skill sets, time, etc.) accessible to the nonprofit organization. We know from social movement theory that inter-agency competition is lessened when resources, particularly financial resources, are plentiful. For the nonprofit organizations in this research, resources are not plentiful and so the concerns around competition for resources are significant. Current research on the Canadian nonprofit sector demonstrates that these concerns are widespread. Consider the following snapshots:

The capacity of the nonprofit and voluntary sector to fulfill its important role in Canadian society is being undermined and eroded by new funding strategies that are intended to increase accountability, self-sufficiency and competition.... Many organizations that survived the government funding cutbacks of the 1990s are financially fragile because they are now dependent on a complex web of unpredictable, short-term, targeted project funding that may unravel at any time. (Scott, 2003, p. xiii)

... employees in the voluntary sector are often in a constant state of uncertainty, not knowing how long their organization can be sustained and how long they will have a job. This environment is highly stressful and is not conducive to retaining staff. (Calgary Chamber of Voluntary Organizations, 2005, p. 9)

Approximately 40% of respondents report that the following were problems for their organizations: competition with other organizations for funding or revenues (43%), increasing demands for services or products (43%), difficulty earning revenues (42%), difficulty adapting to change (41%), lack of internal capacity (39%)... and difficulty providing training for volunteers (38%). (Statistics Canada, 2004)

Not only are nonprofit organizations individually vulnerable, the nonprofit sector as a whole faces numerous uncertainties and challenges that contribute to an atmosphere of risk. As a consequence and keeping social movement theory in mind, coalition building and between-group helping behaviors are not as likely to occur. Nonprofit organizations will tend to focus on their needs and remain or become increasingly in-group focused. It is possible that a movement made up of nonprofit organizations seeking to change the funding relationship with government through a revision of the

social policy and associated contracting conditions, for example. However, there appears to be resistance to creating coalitions because of the risk to existing and future resources posed by such an undertaking. For many nonprofit organizations there is a fear that funders may withdraw support if they are too vocal in expressing concerns about the relationship. Even at the level of an organization-to-organization partnership in the nonprofit sector, the resource limitations are such that any true partnership requiring an investment of some kind by both parties is also unlikely to succeed. Risk in this sense creates a nearly insurmountable threshold for nonprofit organizations even though they may recognize that benefits contributing to long-term sustainability could accrue from such activity.

Furthermore, some nonprofit organizations emphasize intergroup bias by working towards putting the organization in situations where the nonprofit organization is favored over other nonprofit organizations. One example from the research is how reputation is managed through overt control over the messages communicated to media by some nonprofit organizations. The care taken to portray the nonprofit organization in a particular way to be better positioned to secure resources is significant. This creates a strong sense of in-group identity and cohesion within the nonprofit organization. Strong identity-related messages help individuals assimilate into the group consistent with self-categorization theory and the common in-group identity model. The more frequently a nonprofit organization overtly or tacitly reinforces categorization, the more pro-in-group attitudes, values, and behaviors will be exhibited. The outcome is that fewer boundary spanning activities will take place between the nonprofit organization and other nonprofit organizations. The risk associated with reputation, a unique identity in the minds of funders, and the atmosphere of competition resulting from the pressures just discussed work against the boundary spanning activities that have the potential to contribute positively to the sustainability of the organization. In effect, the nonprofit organization creates a boundary that restricts exchanges between itself and the outside world. As Tom, a senior grants officer stated during the interview:

TOM: *I don't think that as individual nonprofits there is a strong feeling of similarity. I think the feeling of difference is strong because of competition for funding, employees too, but funding mostly. Those organizations out there want me to give to them not another organization.... I think its both but spread across a kind of continuum. On one end are organizations that are totally self-interested. They're in it for themselves, they compete with everyone for everything, they don't want to work with others. But at the other end, you have organizations who are working with others on common concerns. It's likely not perfect but they're trying to pull together to make a difference on some issue or other that they all share.... I don't see how you can have a community without organizations and people working together, at least some of them. And those, those that figure out how to do their work with others are more likely to succeed in the long term.*

As a funder and Tom's perspective is hopeful that at some point nonprofit organizations will be able to overcome the internal resistance to working together, find opportunities for partnership or collaboration, and improve the overall sustainability of the nonprofit sector.

Learning Organization

This theoretical category involves a variety of ways in which a nonprofit organization exchanges, assesses and acts on information. It encompasses the idea that an organization is open to input from in-group and out-group members. In the case of nonprofit organizations, being a learning organization means interacting within a complex web of intergroup relations. It also means addressing the diversity of purposes represented by different organizations in that web. In some situations, we see that intergroup relations strengthen group boundaries by energizing the process of categorization as identified within social identity theory and self-categorization theory. One organization, for example, noted that nonprofit organizations did not respond positively to pressures from funders to force cooperative activity or at the extreme end, mergers between nonprofit organizations. However, collaboration, when it makes sense,

held real value for the organizations involved. Under external funder pressure, the boundary between nonprofit organizations strengthened along with the sense of stronger in-group membership identity at the organizational level. That some nonprofit organizations did merge under such pressure also suggests that resource scarcity – the reason funders were pushing for mergers and collaborations – can contribute to boundary break down and create a new group. It would not be surprising that if the nonprofit organizations resisted the effort to merge until financial failure was imminent, that the time needed for recategorization to take place was not available to them. In that case, the new organization would have two groups of ex-employees of the former organizations and would need time to go through the process of recategorization to become a “we” once more.

Critical thinking is a dimension of this category that may be under-employed by senior administrators of nonprofit organizations when considering the goings on outside of the organization’s boundaries. In the interviews, senior administrators demonstrated one side of critical thinking. This skill was focused typically on the negative consequences experienced by the organization because of something some other group or person in the community was doing. The critical thinking was directed inwards as a reaction to something taking place outside of the organization. Activities generated by this kind of thinking were tactical responses to be made to the organization’s own operations.

The kind of critical thinking that may be of greater benefit to nonprofit organizations is at least bilateral: moving from the organizational boundary inwards to assess internal processes or conditions and from the boundary out to the broader community to assess collective opportunities and environmental conditions. In the latter situation, the research suggests that cross boundary collaborations may result if, for example, there are political threats or opportunities to be addressed. By developing networks along with a broader critical thinking skill, nonprofit organizations could be better positioned to mobilize, form coalitions and undertake collaborative activity that would step the members of each organization up from a solely in-group sense of identity

towards a recategorized sense of collective identity. Where individual nonprofit organizations may be especially vulnerable to a threat, a coalition could be much less vulnerable. That some organizations in Calgary have come to this conclusion and are exhibiting are made clear by two examples. First, the Governors' Council, an association of the senior administrators and the Chairs of each of the boards of directors of agencies providing child and family services has developed its own sense of identity that while respectful of each of the member organizations' identity stands as the authoritative voice on children's issues to government and funding bodies. Second, the Chair's Council is made up of the senior administrators and the Chairs of each of the boards of directors of agencies funded by the Alberta Government through the Persons with Developmental Disabilities, Calgary Region Community Board. This group has also become an authoritative voice for the shared issues of governance, management and allocation of resources to service providing organizations. Both groups constituted themselves in response to the threat to particular client groups resulting from government cutbacks and service downloading to the nonprofit sector. Such groups as these demonstrated that some organizations have thought critically about not only themselves but about the broader group of nonprofits working in the same area. Identity differences represented by different service philosophies, mission and vision statements and values have been set aside in order to create a new group focused on direct communication with government. In both cases social policy changes have come about that are favorable to the nonprofit organizations involved. What started as a political threat to individual organizations has become an opportunity to realize collective sustainability.

Sustainability

Being sustainable is top of mind for senior administrators and for nonprofit organizations. Typically, the idea of sustainability is broken down into many component parts such as fund raising, having staff or volunteers to carry out the work of the organization and, in some cases, membership that signifies community support for the purpose of the nonprofit organization. Seeing losses in any one of these areas is a strong

signal that the organization may not be sustainable. Given that funding is a perennial issue for nonprofit organizations, it is not surprising that secured funding has become the preeminent symbol of sustainability. If an organization successfully draws funding to itself, it comes to see itself to be sustainable. If an organization has challenges raising the necessary funds, it soon recognizes that all or part of its operations is not sustainable. The importance of resources to a nonprofit organization is extreme because only in rare cases would any organization in the nonprofit sector have a comfortable operational reserve that would allow it to run its services should a major source of funding dry up.

The resource issue also emerges in the literature in social movement theory that posits that both organizational and economic resources positively contribute to the capacity and willingness an organization has to contribute to collaborative initiatives without experiencing concern about its own future or identity. On this point, it appears that social identity theory offers a new perspective to understanding why collaborative undertakings by the sector as a whole or by sub-sectors within it (e.g., the arts, social services, health, and education) are rare. We know that in Alberta (Statistics Canada, 2004):

- 66% of the 19,356 nonprofit organizations have budgets under \$100,000 – and 43% have budgets under \$30,000 annually;
- while 33% of revenues come from government (25% provincial, 5% federal) nearly half (49%) is self-generated. Self-generated income is exposed to market risks and is typically generated at a discounted rate compared to the for-profit sector.

We know from the same survey that in Canada the nonprofit sector faces significant challenges,

Just over one-half reported having problems with planning for the future, recruiting the types of volunteers needed by the organization and obtaining board members.... Over 60% reported problems due to reductions in government funding, the unwillingness of funders to provide for core operations (e.g., long-term programs and administrative expenses) and over-reliance on project funding. (p. 5-6)

Clearly, the resource and organizational issues faced by the sector are daunting and speak to the challenges surrounding sustainability generally. That the nonprofit sector is not actively forming movements or coalitions to address these concerning systemic issues is likely a result of serious deficits in organizational ability and resource capacity.

Compounding this is another factor from within social identity theory: that coalitions of organizations that share the same goals or constituencies may be more internally competitive than heterogeneous coalitions. This suggests that even if resource and organization issues could be resolved, coalitions made up of organizations operating within the same sub-sector would have to overcome so-called 'turf issues' associated with strong in-group identity before the coalition could effectively address systemic issues effecting sustainability. Having three major hurdles to address before a nonprofit coalition could be reasonably effective in achieving any overarching goal may mean that coalitions as a vehicle to improve sustainability are not widely feasible. As noted above, however, examples of emerging coalitions do exist and it could be that the threats facing the sector or a particular sub-sector are large enough to compel collaborative activity. That is to say that the fear of immanent extinction may compel nonprofit organizations to undertake boundary spanning activities that they would prefer to avoid.

Credibility

Credibility is the theoretical category that speaks directly to in-group identity because it has to do with the collective sense of worth members of the organization have in themselves and in the eyes of the community. The focus on reputation, focus on the nonprofit organization's mission, the reputation brought to the organization through powerful and influential members in combination with consistent and highly competent staff are dimensions of group identity. For a nonprofit organization, the stronger the sense of credibility the stronger the sense of in-group identity and the greater the efforts made to protect the reputation or image of the organization. Self-enhancement of the members of the organization and of the organization itself within the broader community

strengthens group identity at the boundary between the organization and other nonprofit organizations. If the sense of identity is strong and the credibility of the organization is high, the result can be that the nonprofit organization has a clear advantage in attracting resources to its activities. Those funding organizations operating in the community are more likely to be positively inclined to support such an organization as compared to an organization with no identity or credibility in the community. Given that the resource pool is finite and at least in the case of government funding, shrinking, means that if one organization is growing larger by attracting resources to itself, another must be losing resources and shrinking. This winner-loser dichotomy and the competition it drives within the sector is a powerful force against intergroup collaboration and between-group helping behaviors.

In terms of sustainability, an organization that is losing resources may be on the slippery slope of diminishing credibility, reduced ability to attract (or retain) staff or persons of influence and reduced viability and sustainability. The opposite experience is had by those organizations whose credibility is growing in the community. The somewhat Darwinian reality faced by nonprofit organizations puts a harsh spotlight on the collective understanding of what sustainability 'really' means – survival. Anything more than basic survival is a bonus in terms of what it may allow a particular organization to do. Credible organizations may be much less willing to work collaboratively with others who in any way are less credible than themselves. The effect of this is that credible nonprofit organizations are inclined to form networks among themselves that are closed to others. They mobilize and demonstrate intergroup cooperation towards ends that contribute to long-term sustainability. Those organizations on the downward spiral are left to struggle amongst themselves for resources until such time that they recognize that they will need to close shop or they have changed in some way to turn the situation around.

Credibility may well be the spring that feeds social boundaries and symbolic boundaries. Because credibility is a clear path to status and resource acquisition it contributes to the symbolic boundary structure associated with the organization.

Credibility for the reasons mentioned above constrains, excludes and segregates organizations and therefore contributes to the construction of social boundaries. When symbolic boundaries become widely accepted they become social boundaries where social differences become the basis for privileged access to resources for some nonprofit organizations. This appears to be the case in the nonprofit sector. For example, a mere 1% of nonprofits represent 59% of the revenues for the entire sector – those 1% are the elite organizations with budgets in excess of \$10,000,000 and includes hospitals, colleges, universities and municipalities (Statistics Canada, 2004). While these nonprofits work regularly with one another, rarely are they an equal partner with a small, unknown nonprofit organization in an interagency collaboration.

Relationships

The theoretical category of relationships is the focal point of the whole body of related theory being discussed. It is the focal point because relationships are the means by which the nonprofit organization and its people connect with each other inside the organization and with others outside of the organization. A relationship is a boundary spanning activity. Relationships carry a sense of duality captured in the etymology of the word 'relate' - to be borne or thrust in *between* things. In the first sense of the word a relationship signifies a choice between parties to interact with one another and to give birth to something shared. This perspective highlights that there is a choice to be made and that any individual or organization has the option of accepting or declining the relationship. The second sense of the word creates the twist that an individual or organization has roles from which they cannot escape – that like it or not, some relationships are thrust upon them. As an executive director, for example, you may not like the particular style of a funder. However, if that executive director wishes to receive resources from the funder, they will have to accept a relationship of some kind. These observations about the duality of relationships are not judgments - sometimes a chosen relationship turns bad and a relationship that one was compelled to enter into prospers.

Relationships are not simple, always positive acts of mutual engagement between one person or organization and another.

This research suggests that for nonprofit organizations, fear and competition are forces that can diminish boundary spanning activity even in the face of the compelling observations of Social Movement Theory. That body of theory informs us that political opportunities and threats create an inclination towards coalition building; that plentiful resources lessen competitive behaviors thereby increasing the likelihood of coalition building; and that coalitions are more likely to form when there are no major identity issues. Whether the relationships are by choice or compelled, nonprofit organizations and the people associated with them, especially senior administrators, are aware that at any given moment they exist in two conflicting roles – competitor and collaborator. The finite resource pool means that nonprofit organizations do compete for resources. It also means that in order to achieve their missions – often focused on helping those most vulnerable in our society – nonprofit organizations must work at least notionally with the same organizations with who they compete. In terms of identity, there is a fear that funders or other bodies external to the nonprofit organization will force cooperative behaviors between organizations regardless of what either wants. While the nonprofit organization may have a sense of its own identity, funders seeking greater efficiency through compulsory cooperation create an ‘identity push back’ by the organization. This means that the more nonprofit organizations are forced to work together the harder they work to declare their identity and uniqueness in order to remain distinct.

The pressure from some funders to force cooperation and collaboration between nonprofit organizations exists. Predictably, such unwanted pressure generates the opposite effect in terms of mutually beneficial organization-to-organization relationships in the nonprofit sector. However, political pressures appear to be significant reasons for intergroup relationships. In the case where government cuts to funds earmarked for the nonprofit sector has combined with direct offloading of services to the sector, nonprofit organizations are considering the benefits to coalition building. The two Councils mentioned above are examples of coalition building within the nonprofit sector.

Of the relationships discussed by senior administrators, those that were most prevalent were relationships with corporations or the business sector generally. A possible explanation of this is that there is a less complicated sense by each party of what the mutual gain is. For the nonprofit organization: resources, an influential partner, access to different skills and so on. For the business: a direct means of establishing itself as being socially responsible, connecting with its customers in a different way, positioning itself favorably in the eyes of regulators, and increasing market share through lucrative co-branded campaigns (e.g., Becel and the Heart and Stroke Foundation of Canada).

Within the sector there is a widespread understanding that nonprofit organizations need to be more business-like (Dart, 2004a; Dart, 2004b). This means that there is an increasing focus on accountability (e.g., Lee, 2004; Montgomery-Talley & Richardson, 2004; Pearce, 2004), effectiveness (e.g., Lannan, 2004; Sowa et al, 2004), and efficiency (e.g., Farsi & Filippini, 2004). The move towards nonprofit organizations seeing themselves as being more business-like may be having the effect of shifting the social identity of nonprofit organizations to include or overlap with business. As pointed out in the common in-group identity model, inter-group bias is reduced when different groups come to see themselves as part of another larger group. While the literature shows no evidence of business coming to see itself as being more charity-like, nonprofits are seeing themselves to be more like businesses. Based on the theoretical models presented in this thesis, when this movement occurs, barriers to collaborative efforts shift to become opportunities. In this research, it was evident that senior administrators have come to see businesses as natural partners in the bigger movement of improving community.

Consistent with the between-group helping model, the organizational factors that appear to contribute to boundary spanning activities between business and nonprofit organizations are:

- that there is strong goal alignment between the nonprofit organization and the business. Businesses have been developing focused corporate community

investment programs that target specific areas within the nonprofit sector. The areas targeted have linkages back to specific corporate expectations often associated with furthering core business activities. For example, Avon – a cosmetics company has strongly supported the Breast Cancer Research Alliance. The goals of both the company and the nonprofit organization are closely related – healthy women. The nonprofit organization gains funds to support breast cancer research; the business connects with its customers by supporting a community activity of high importance to women. As Avon states,

Avon has always believed in being more than just a leading beauty company. We place equal importance on the self-fulfillment needs and well-being of women the world over.

This unwavering commitment to women can be seen in several ways.

For instance, the Avon Crusade, the hallmark of Avon's social involvement, has raised close to \$10 million in 10 years for breast cancer research. Avon Canada is this country's leading corporate contributor to this vital cause.

Our Independent Sales Representatives demonstrate their own commitment by volunteering to sell special products to raise these much-needed funds.

Among the tangible results has been a groundbreaking study that found women who increase their daily level of physical activity can reduce their risk of breast cancer by 40%. That study was funded by the Canadian Breast Cancer Research Alliance, Canada's primary funder of breast cancer research and the main beneficiary of our Avon Crusade (Avon, 2005).

- that the tasks being worked on by business and nonprofit organizations have a high degree of interdependence. For example, funding an arts group has tangible points of engagement for both the business partner and the nonprofit organization – production of the work, sponsorship rights and privileges,

audience development, cultural contribution of civic life, and so on. A particular production would not take place if not for the sponsorship of a business partner.

- that both parties see a benefit for the community as a whole. While the business and the nonprofit organization will each see specific benefits come out of the relationship, both aspire to create a benefit to people beyond the boundaries of their organization. In the Avon example above, the expression of this is in the commitment to the well-being of women around the world – something the business shared with the Breast Cancer Research Alliance researchers exploring ways of eradicating breast cancer as a disease.

Nonprofit organizations speak affirmatively about forming relationships with business and in a neutral or negative manner when it comes to relationships with fellow nonprofit organizations. Taken together, strong in-group orientation and intergroup bias seem to be the case for nonprofit organizations individually and specific to relationships between nonprofit organizations. The nonprofit sector and its constituent organizations do appear to overcome barriers and form relationships with businesses. As the between group helping model proposes, a facilitator of this kind of recategorization by members of nonprofit organizations and of the nonprofit sector is a strong out-group orientation. The potential benefits of forming a relationship with a business clearly outweigh whatever concerns might exist. Critical to the business-nonprofit relationship is the reputation of the nonprofit organization. Indeed, the nonprofit organization's positive reputation in the community makes them an attractive partner to business (Young, 1998, p. 216). That the drawbacks to business-nonprofit partnerships were not evaluated by senior administrators in a robust fashion may eventually result in issues coming forward such as the concerns of donors of the displacement of charitable values by business values. While the research did not identify strong concerns about business-nonprofit partnerships, Young (1998) found that nonprofit organizations “exercise significant caution to ensure that their commercial activity damages neither the organizations’ reputations nor their abilities to promote their work among constituents” (p. 216). From

the perspective of this research, nonprofit organizations are aggressively seeking every opportunity to include businesses in their activities, planning and delivery on their mission.

Organizational Uniqueness

The theoretical category of organizational uniqueness is directly addressed in the literature through Social Identity Theory, Self-Categorization Theory, common in-group identity model and the between group helping model. Each of these documented areas of theory addresses the identity of the members and of the group to which the members belong. This is also what senior administrators were discussing in this research. Of particular strength in the data was how senior administrators used what they saw to be a uniqueness of his/her organization as a direct way of highlighting certain exceptional operational aspects that set his/her nonprofit organization apart from others. The reason for doing this was to place his/her nonprofit organization in a more favorable position for, most importantly, funding followed by staff recruitment or member recruitment.

Organizational uniqueness creates a force against decategorization and recategorization by encouraging group members (e.g., the nonprofit organization's staff, volunteers, clients, and members) to maintain or enhance intergroup bias. Thinking of one's own group to be 'unique' in the sense of 'better than the others' propels the nonprofit organization towards a solid sense of identity based on its own norms that leads to what in Social Identity Theory is called self-enhancement. Self-enhancement appeared in this research in both the general sense and specific sense. In the general sense, self-enhancement occurred through clear statements from the organization about its uniqueness compared to others and behaviors to support those statements. A common characteristic of all senior administrators in this research was the clarity and conviction each had about the uniqueness of the way that they carried out the nonprofit organization's mission in the community. Similarities between organizations were overlooked as the primary focus was on finding the large or small thing that made his/her nonprofit organization better than the others. Typically, the drive to find unique aspects

was limited in scope by the nonprofit organization by only seeking comparisons with other organizations in its basic area of service delivery – e.g., an arts group comparing itself to other arts groups.

In the specific sense, self-enhancement focused on characteristics that were unique when the nonprofit organization looked at itself over time. An example of this is the way that some nonprofit organizations talk about values or attitudes. Articulating what the nonprofit organization believes in to its staff and volunteers particularly creates a kind of oral history situates the group in time and place. This sense of history also reinforces the norms by which members know that they belong to the nonprofit organization and it fosters a strong separate and unique group identity.

Ethics

To a large measure, ethics pertains to the character of the relationships between individuals, between organizations, and between individuals and organizations. For example, The Association for Volunteer Administration (1999) builds a professional statement of ethics on core ethical concepts of trustworthiness, respect, responsibility, caring, fairness and citizenship. These ethical concepts establish the broad framework for how a professional working with volunteers should conduct themselves in the boundary spanning role that they have with volunteers and with the community as a whole. Nonprofit organizations, while sensitive to ethical dimensions of relationships within the organization and between their organization and the community, do not identify ethics as something important in and of itself. Ethical awareness appears through discussions about behaviors related to one of the six ethical concepts above.

The theoretical category of ethics is an interesting component of the proposed theoretical framework as it appears to be largely ignored in the established bodies of theory presented earlier in Chapter 5. For example, in the discussions on categorization, the theory refers to the exclusive nature of the in-group and intergroup bias. Exclusivity and bias in terms of the relationships between individuals, organizations, and individuals

and organizations have a high potential for being ethically questionable. Racism and sexism for example, both unethical behaviors, arise from bias and exclusivity.

Literature examining ethics the nonprofit sector is extremely limited. The most common focus of what literature does exist is fundraising and the ethical concerns associated with the collection and use of donor funds for charitable purposes. A smaller amount of the literature focuses on ethics and the role it plays in the leadership of nonprofit organizations. While academic inquiry may be missing, the nonprofit sector, especially in the United States, has been active in trying to articulate values and ethics not only for specific professions but also for the sector as a whole. Independent Sector (2005), an American “leadership forum for charities, foundations, and corporate giving programs committed to advancing the common good in America and around the world”, distributes through its website a code of ethics for nonprofit and philanthropic organizations. They state in the preamble to the document that,

As stated within, IS [Independent Sector] believes that each and every organization in the independent sector should have a code of ethics. IS firmly believes that the process by which a code is adopted is as important as the code itself, and that the board and staff should be involved in developing, drafting, adopting, and implementing a statement that fits the organization’s unique characteristics. Going through this process with the board and staff also begins to infuse into the culture of the organization a recognition of how important it is to address issues of values and ethics on an ongoing basis. (2005, p.1)

The term “independent sector” is yet another way of referring to what in Canada is called the nonprofit or voluntary sector.

While the nonprofit sector is often perceived to embody a strong values base and that therefore addressing values and ethics should be a common activity within the nonprofit sector, there is no evidence that this is the case. In this research, no senior administrator referred to such a code or statement, though one executive director did talk about specifically about the importance of having ongoing discussions to address values within their organization. For Independent Sector, the case for having and adhering to ethical standards is a “matter of pragmatic self-interest” (p. 2) because the legitimacy of

the nonprofit sector is based on ethical performance and because funders and volunteers trust nonprofit organizations to be responsible stewards of the resources given them (p. 2). Nine values, common throughout the nonprofit sector are outlined in the Independent Sector's Statement:

1. Commitment to the public good;
2. Accountability to the public;
3. Commitment beyond the law;
4. Respect for the worth and dignity of individual;
5. Inclusiveness and social justice;
6. Respect for pluralism and diversity;
7. Transparency, integrity and honesty;
8. Responsible stewardship of resources; and,
9. Commitment to excellence and to maintaining the public trust.

The Association of Fundraising Professionals, a large North American professional association for those in the field of financial resource development, has also created a statement on "The Accountable Nonprofit Organization". This statement, similar in character to that produced by the Independent Sector, highlights six main points:

1. Each nonprofit organization holds a public trust to improve the quality of life.
2. The accountable organization clearly states its mission and purpose, articulates the needs of those being served, explains how its programs work, how much they cost and what benefits they produce.
3. The accountable organization freely and accurately shares information about its governance, finances and operations. It is open and inclusive in its procedures, processes and programs consistent with its mission and purpose.
4. The nonprofit organization is accountable to all those it exists to serve, to all those who support it, and to society.

5. The accountable nonprofit organization is responsible for mission fulfillment, leadership on behalf of the public interest, stewardship and quality. (Association of Fundraising Professionals, 2005)

The sixth point goes on to outline specific responsibilities that a nonprofit has to its various stakeholders. The responsibilities are centered on having the nonprofit organization focus on its mission, demonstrate leadership in the community by “enhancing well-being”, demonstrate stewardship of charitable assets and to delivery quality services (Association of Fundraising Professionals, 2005).

Independent Sector carries over 100 links to American-based nonprofit organizations that have produced some documentation on standards, accountability or ethics. No such Canadian listing exists. The issues though, would likely be similar and as the two examples provided above demonstrate, the focus taken by the nonprofit sector is largely focused on accountability within the relationship that a nonprofit organization has with its stakeholders, of which the most frequently identified are funders.

In terms of the body of theory brought forward earlier in this chapter, this sense of accountability bears on aspects of social identity theory and self-categorization theory. Each of these theories put forward the idea of how a group develops its sense of identity by distinguishing itself from other groups. The “us versus them” that Duck et al. (2000, p. 269) identify is powerfully evident in the way that nonprofit organizations talk about funders. The character of this relationship is most poignantly articulated by Cynthia, Executive Director of Sandwich and Juice who said, “...if you really want that hundred thousand that they are offering you or whatever, you will do what they want you to do”. The distinguishing feature of “us” (i.e., the nonprofit sector) is the need to secure the necessary resources to address the mission of the organization. The distinguishing feature of “they” – the funders – is that they hold the financial resources needed by nonprofit organizations.

Claims of partnerships between funders and nonprofit organizations are suspect because the boundaries between these two groups are likely the least permeable of all. Attempts at recategorization, as put forward by the common in-group identity model, are

not likely to gain support because the strength of group boundaries and intergroup biases is considerable. The focus on accountability, especially financial accountability, in many of the ethical documents produced by the nonprofit sector (e.g., Imagine Canada, n.d.) likely reinforces the divide between funders who rightly expect the nonprofit recipient of their funds to be accountable and the nonprofit agency that must carry out the processes necessary to demonstrate that they are accountable. One group has what the other group needs. The divide is that of 'haves' and 'have nots'. The authority and power of the funder is not something that can be shifted to nonprofit organizations through a process of recategorization. Further, the current emphasis on accountability within nonprofit organizations means that discussions on ethics in the nonprofit sector are not likely to produce movement towards making the boundary between funders and nonprofit organizations more permeable.

The particular branch of this exploration of ethics as a theoretical category within the research ends with boundary between "us" and "them" being maintained with considerable energy. It is unclear from this research what if anything this longstanding division suggests in terms of the sustainability nonprofit organizations. The legislation and regulations governing how registered charities in particular, are incorporated necessitates the division between donors (e.g., government, foundations, corporations, individuals) and recipients in the form of the nonprofit organization.

Yet another dimension of ethics as a theoretical category in this research emerges in the literature pertaining to organizational climate. Stead, Worrell, and Stead (1990) suggest in their work that organizational culture may have an important role in effecting whether or not individuals behave ethically. Malloy and Agarwal (2001, p. 39) define organizational climate as the, "informal interpreter and judge of an individual's organizational behavior". How an individual or an organization behaves is shaped by the ethical climate which the authors define as, "a psychological construct that is based on the aggregation of individual perceptions of what is ethical conduct in the organization" (p. 40). Because ethically acceptable behavior is determined and normalized by the group, a strong connection exists with self-enhancement as described within social

identity theory. The ethical climate of a group is yet another contributor to the in-group identity and intragroup phenomena that strengthen the identity and categorization of individuals within the group.

Agarwal and Malloy (1999) conducted an empirical study on the ethical work dimensions in nonprofit organizations. From their research, four points of interest emerged. First, there is strong empirical support for the interdependence of ethical climates (individual, organizational and community/social). Second, those in the nonprofit sector are better able to discriminate between benevolent behaviors than those in the for-profit sector. Benevolence here means the greatest pleasure and least pain for the “collective or the greater number (e.g., the immediate work group, the firm, the community, and the society-at-large)” (pp. 3-4). Third, that within the nonprofit sector there is an “absence of perceptions of ethical climate relating to the organization itself” (p.10). The authors interpret this point to mean that,

Individuals in the not-for-profit sector may perceive ethical climate as more supportive toward personal growth and wellbeing and toward social responsibility than to the organization in which they work and/or volunteer. (p. 10)

Fourth, that individuals working in the nonprofit sector do not in terms of the ethical climate, see themselves to be functionaries of the organization. Instead, the organization may be acting as the medium through which the individual is able to achieve personal and societal goals (p. 11). Malloy and Agarwal (2001) restate this point when they propose that, “neither superiors nor coworkers who make up the local environment influence the individuals’ perception of ethical climate” (p. 48). For example, a family counselor working in a social service agency will be more influenced by the ethical standards and codes of his/her profession than by, “the particular behaviors, norms, and beliefs of immediate work group members” (p. 48).

From this perspective, the ethical dimension of my research offers some intriguing opportunities regarding sustainability. It seems clear that from the main bodies of theory applicable to this research (social movement theory, political opportunity theory, social identity theory, self-categorization theory, common in-group identity

model, and the between-group helping model) the identity of the group is singularly the most important factor in determining if and how an organization is willing to work cooperatively with other organizations or groups. Within the other theoretical categories identified in this exploratory research, a general trend towards strengthening an organization's identity was apparent. It appears that there is a significant expenditure of time, energy and resources towards maintaining and strengthening the identity of the nonprofit organization across the theoretical categories of risk, learning organization, sustainability, credibility, relationships, and organizational uniqueness. The theoretical category of ethics, however, is one area where the research suggests that the focus of individuals is on personal growth and societal well-being rather than on the organization of which they are part. The category of ethics runs counter to the cognitive assimilation of the individual to the in-group prototype (Hogg & Terry, 2000, p. 123) that is the foundation of social identity theory, self-categorization theory, common in-group identity model, and the between-group helping model. As such, it is possible that ethical climate will be a strong driver for the decategorization and recategorization processes necessary for boundary spanning activities of nonprofit organizations.

Summary

This chapter presented the theoretical framework for a substantial theory of sustainability for the nonprofit sector. The integration of the core concept of boundary spanning with the seven supporting theoretical categories and existing theory and is at the core of the preceding discussion. The framework was validated by a variety of nonprofit sector representatives (see Chapter 3) in public discussions. This demonstrates that the framework as presented here, meets the criteria for a substantial grounded theory as set out by Glaser and Strauss (1967). Specifically,

- the theoretical framework emerged from the data and were not selected from a pre-established theoretical position. The criteria for *fit* has therefore, been met.

- the theoretical framework does explain, predict and interpret what those working in the nonprofit sector report to be taking place within their organizations and the sector broadly. The criteria for *work* has therefore, been met.
- the theoretical framework was seen to be highly relevant to issues related to the sustainability of nonprofit organizations. Further, the theoretical framework explains how the current sustainability crisis emerged and why it continues. The criteria for *relevance* has therefore, been met.
- the theoretical framework is highly modifiable. As new information, new research or other areas of existing theory are identified and brought forward, there is sufficient flexibility in the framework to accommodate change or revision. The criteria for *modifiability* has therefore, been met.

The story told by the theoretical framework advanced in this chapter makes sense and resonates with senior administrators in the nonprofit sector. As such, it captures the essence of what Glaser and Strauss (1967) state is a characteristic of a substantial grounded theory – that it “provides the stimulus to a ‘good idea’” (p.79).

The interviews hold strong indicators that how a nonprofit organization views its relationships with the world is associated with the senior administrator’s perception of whether or not the organization is sustainable. For example, one organization that was losing members and in either ending or no longer developing relationships with other organizations including funding bodies did not present optimism about its ability to sustain itself much longer. Other organizations were actively seeking out new relationships and in some cases actively entering into negotiations or dialogue with funding bodies. Others presented an optimistic picture of organizational sustainability. Building on this general observation, theoretical work in areas such as social identity theory articulate how identity contributes to or detracts from the ability of a nonprofit organization to enter into significant relationships with other organizations (e.g., other nonprofit groups, funders, regulators) so as to realize efforts designed to ensure long term viability and sustainability.

A review of the literature suggests that in many cases the issue of identity is more likely to act as a barrier to relationship building. The one notable exception is in the theoretical category of ethics. Here the literature suggests that the desire of individuals for societal well-being may provide a way to escape a strong in-group drive to remain exclusive. Individuals within the nonprofit sector who have the ethical orientation towards societal well-being may be inclined to participate in activities like relationship building that contribute to long-term sustainability if the case can be made that a benefit to society will accrue. The challenges to this taking place are highlighted in the other theoretical categories where in balance, strong in-group identity is more likely to be a barrier to creating the relationships that could contribute to both organizational sustainability and societal well-being.

CHAPTER SEVEN: DISCUSSION

The purpose of grounded theory work is to create theory as a starting point for discussion, research, and action. Grounded theory is especially helpful in areas where little research exists because it casts a wide net out from inductively reasoned theoretical categories to find points of connection with other lines of research and established theory. By making those connections, this thesis brings to the discussion about the sustainability of Canada's nonprofit sector, new insights and opportunities.

Before discussing what the theoretical framework means for the nonprofit sector, it is important to note the implications of using grounded theory as a research orientation. Grounded theory begins with the data and inductively reasons theoretical categories. This is what "grounds" grounded theory. After employing the constant comparison method of emerging category to emerging category to the data, a stable set of theoretical categories coalesces. From these one then goes to the literature. What was so surprising to me in going to the literature after the fieldwork and data analysis was the kind of literature that connected with the work. If I had used the traditional approach of conducting a literature review first and then collecting data, I am confident that I would have found myself in literature addressing primarily efficiency and effectiveness. Instead, I found myself considering social identity theory, self-categorization theory and the like. Not only was I unfamiliar with these lines of inquiry, examination of major nonprofit-related databases showed that these theories had not been specifically applied to the nonprofit sector. Bringing well-established theories to the table that were completely outside of what was familiar to the nonprofit sector was personally challenging and exciting. Changing the sequence of research activities opened the door to identifying important new theoretical perspectives on sustainability. For that reason alone, additional grounded theory research should be undertaken within Canada's nonprofit sector.

Limitations

While finding points of connection to existing theory outside of what has been thought to be applicable to the nonprofit sector, this research has limitations. First, the interview data set from which the theoretical categories were derived was small. While the requirement of theoretical saturation was met, a different group of senior nonprofit administrators could produce different results.

Second, it was assumed as a first inquiry into the issue of sustainability that senior administrators from a broadly diverse group of nonprofit organizations would produce a better sense of the perceptions in the sector. However, it could be argued that the sustainability issues in the health sub-sector are significantly different from sustainability issues in the cultural sub-sector. The diversity of agencies represented in the key informant interviews may have limited or prevented sustainability issues from specific sub-sectors from emerging.

Third, interviewing senior administrators provides an operational perspective on sustainability. Other perspectives within the organization that could have been considered but were not include the board of directors and front line staff. Boards of directors would be able to discuss the significance of sustainability at the governance level of the nonprofit organization. Given that boards are accountable legally and morally for the activities of their organization, they may have different views on the issues affecting the organization's sustainability than the management would. Front line staff could comment on many of the issues bearing on the delivery of services including the affects of numerous human resources concerns such as compensation and benefits.

To address some of these limitations, the emerging theory was presented and discussed at several conferences, workshops and meetings over nearly three years. While feedback from those sources mitigates some of the limitations noted above, interviewing by sub-sector (e.g., health, culture, education) or by role in the nonprofit organization (e.g., governance, management, line staff) would be possible lines of data collection for future research on this topic.

Implications for the Nonprofit Sector

As with most research, at the end of the process there are more questions than answers. While my research provides a validated substantial grounded theory revolving around boundary spanning activities, it opens the doors to many questions. For me, two broad areas stand out for further discussion. The first has to do with processes common to a number of the existing theories brought into this thesis from the social sciences – recategorization and mobilization. The second stands out for me because it speaks to the employee level of nonprofit organizations and the connection that they have with the broader community beyond the employer through their personal ethical beliefs.

Recategorization and Mobilization

The strong sense of organizational identity within the nonprofit sector is a strength for undertakings such as fundraising or employee recruitment. A strong sense of image and brand combined with a respected identity in the community draws funding support, volunteers, employees and clients. The more a nonprofit organization can differentiate itself by cultivating its identity the more successful it believes it will be. This belief is at the foundation of the nonprofit sector as a whole. Evidence for this comes from the growing numbers of social marketing campaigns and single-cause capital campaigns or fundraising events. Supporting this belief, funders apply strict rules of accountability to agencies receiving money. The individuated nonprofit organization is believed to be the preferred form to undertake the work necessary to bring about a social good. The scale of activity and the resources required to maintain this structure are enormous because it is repeated over and over again on an annual basis for each one of the approximately 161,000 nonprofit organizations in Canada. With more nonprofit organizations forming every year, the finite pool of resources (financial, human, monetary, intellectual etc.) is insufficient for the demand. The question of the sustainability of individual organizations unfolds to be the larger question of sustainability of the nonprofit sector.

This research demonstrated that recategorization, the process of coming to see “others” as being similar if not the same as “us”, has the potential of contributing to sustainability by pooling resources around commonly held causes. Nonprofit organizations providing services to adults with developmental disabilities, for example, could begin to subordinate individual organizational identity and structure to a collective of several organizations working to the same or similar ends. Reductions in redundant administrative activity, resource development for the aggregate service delivery and consolidated skill sets could all be benefits accruing to nonprofit organizations choosing to work together for mutual benefit. Moving towards consolidation, as one kind of transformative process, would require extensive discussions between the parties involved.

There are, however, limitations to what ‘typical’ interorganizational conversations could generate. In documenting the experience of the Kettering Foundation, Mathews (2001) found that interorganizational dialogues were, “more likely to change a person’s perception of another person’s opposing views than to get the two to agree... participants don’t change their own opinions as much as they change their opinions of others’ opinions” (p. 148). Talking at one another over a fence is not likely to generate the kind of relationship between nonprofit organizations necessary to undertake the scope and scale of change needed to achieve sustainability. An alternative exists in pursuing outcome or cause oriented change premised on the theoretical categories that are part of my proposed theoretical framework.

The process of moving from an organization-centric to an outcome or cause-centric nonprofit sector would require mobilizing sufficient nonprofit organizations to form a coalition focusing on what Gerhards and Rucht (1992) called “cultural integration” (p. 559) and “structural integration” (p. 558). The idea of cultural integration represents a form of decategorization whereby the individual organizations come to see themselves as part of a larger master framework that articulates the coalition. The master framework has to be consistent with the frame being used by each participating organization otherwise the organization will not participate (Van Dyke, 2003). Structural integration refers to the boundary spanning activities that connect organizations with one

another. Working to bring about cultural and structural integration are “mesomobilization actors” (Gerhards & Rucht, 1992) who mobilize, “groups, organizations, and networks” (p. 558). As the prefix ‘meso’ denotes, these are the groups and organizations that work in the middle or intermediate space to bring organizations together. They are able to identify and forge the links between the master framework and the organizational framework. In many ways, they are the catalysts for decategorization at the organizational level and recategorization at the coalition level.

Based on this research, I would propose that those working in the intermediary space or across boundaries are critical if the nonprofit sector and those organizations making it up are to be sustainable. Such boundary spanning work is transformational as it encourages movement away from an organization-centric beliefs and activities. The adaptation that I suggest to be made to the work of Gerhards and Rucht would be to change the idea of mesomobilization actors to ‘metamobilization actors’. The prefix ‘meta’ draws on the Greek roots of sharing, action in common and change in the order, condition or nature of a thing. Metamobilization actors would still work towards cultural and structural integration, however, the focus would be on common action towards a fundamental change in the nature of the way in which social goods are achieved by nonprofit organizations. Metamobilization actors would be those organizations that could explicate the master framework defining the coalition and bring other groups, organizations or networks to the table to explore sustainable ways of achieving social goods. Actions arising would be “complimentary and mutually reinforcing rather than fragmented and compartmentalized, an “alloy” of initiatives drawing on different capacities and fused the way different metals are to make a superior material” (Mathews, 2001, p. 149).

It was noted earlier in this thesis that the presence of a shared threat increases the likelihood that organizations will begin to work together. For the nonprofit sector, that threat is no longer just a possibility. The threat is real and is affecting the ability of the entire nonprofit sector to work effectively. As we saw from Statistics Canada and other reports, the lack of funding, lack of ability to attract or retain skilled employees, the lack

of ability to plan for the future and the lack of ability to recruit governance volunteers has cut deeply into the capacity of the nonprofit sector to keep pace with current demands for its services. This general resource problem is anticipated to worsen making an intangible threat become a day-to-day reality. Possible implications arising from the parts of this research addressing recategorization and mobilization include:

- Identification of nonprofit organizations that could fulfill the role of a metamobilization actor. Organizations that have the structure or necessary resources to bring together others from the sector to discuss transformational changes are few in number. Currently organizations that have many of the needed characteristics are labeled “umbrella organizations” and are reasonably well known at the municipal or regional level across Canada. Examples of organizations that already exist who could become active metamobilization actors include, Imagine Canada, Calgary Chamber of Voluntary Organizations, The Calgary Chair’s Council, and The Governor’s Council.
- Support for metamobilization actors from funders. If transformational change is to be realized in nonprofit sector operations, those providing financial support should provide support to organizations working toward that end. Extremely tight limitations and restrictions around funding could be loosened without a loss of accountability so that flexibility is provided that would lead to coalition building.
- Governors of nonprofit organizations may need to give direction to their organizations to pursue boundary spanning activities leading to coalition forming. As governors have the responsibility for setting the vision and general policy framework for the organization, their support for transformation of the organization to a form that is sustainable is needed. This may require specific kinds initiatives that build both familiarity with sustainability issues and a degree of comfort with change. Examples of such

activities include educational opportunities, networking events, focus discussions and inter-agency meetings.

Each of these three areas would be viable avenues for future research aimed at refining a theory of sustainability for the nonprofit sector.

Ethical Expression

An interesting opportunity for boundary spanning activities leading to the creation of metamobilization actors and decategorization prior to coalition building is the ethical orientation of employees within the nonprofit sector. As Agarwal and Malloy (1999) found, there is strong interdependence of ethical climates that include the individual, the organization and the community. That means that employees are able to move easily between the organization where they work and the broader community where others may also be working to advance particular social goods. Self-categorization theory tells us that the organization's efforts to consolidate and promote its identity, results in the assimilation of the employee's identity into the in-group prototype. On its own, the in-group identity is a considerable force against boundary spanning activities with other nonprofit organizations. Ethical expression however, creates a crack through which it is possible to develop connections with other groups seeking to create an ethical good similar to that which the employee values. For example, an employee working for a nonprofit organization committed to ending family violence will likely have affinity to the organization due to their identification with the in-group prototype. Agarwal and Malloy found that such an employee does not just see himself or herself as a functionary of that organization. Instead, the employee sees the organization as a vehicle for achieving a personal and social goal (i.e., ending family violence) and as such one of many similar vehicles working toward that end. This situation leaves employees open to seeing others working towards the same ends as part of a "we" that extends beyond their employer and into the community. It is this link that may further boundary spanning activities and coalition building, however, at the employee rather than at the management level of the organization.

Implications for the nonprofit sector arising from ethical expression include:

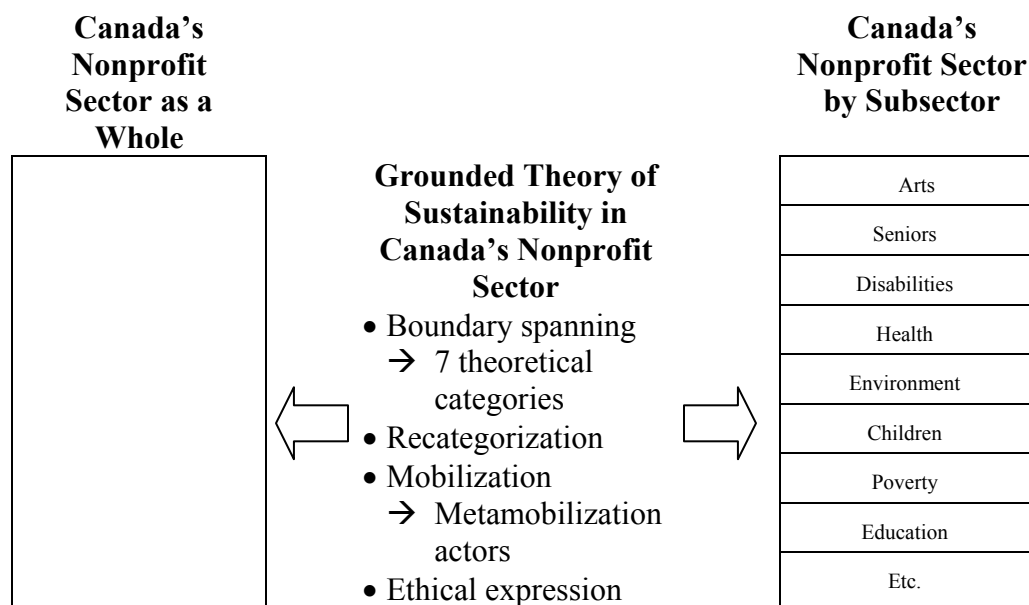
- Initiate boundary spanning activities leading to coalitions through employees. If employees are looking to achieve personal and societal goals as part of their ethical perspective, they have an affinity to causes related to those of the nonprofit organization that employs them. The recognition that the ethical climates of the individual, the organization and the community are interdependent supports activities that bring employees into contact with others in the community. While managers and governors may be strictly focused on the parameters delimiting a nonprofit organization, employees may be more broadly focused on community causes and social goods being produced by other nonprofit organizations.
- Encourage employees to participate in boundary spanning discussions and activities if not initiate them. Frequently seen as the domain of senior managers and board of directors, employees in the form of line staff are rarely in a position to be included boundary spanning discussions. As employees are in more direct contact with the community through direct service delivery, their knowledge and perspectives should be engaged.
- Nonprofit organizations seeking to become metamobilization agents may be more effective if employees are actively engaged as part of the transformational activity along with the board of directors and senior administration. Employees may have insights into the formation of the master framework that will guide coalition building between multiple agencies. At the very least they are important stakeholders who could work against a coalition should their concerns (around employment conditions within the coalition, for example) are not addressed.

Further research into how to best carry out these activities would be additional extensions of this research. Such additional work would do much to improve the theory of sustainability framed by this research by detailing how specific activities could be undertaken and contribute to a sustainable nonprofit sector in Canada.

Conclusion

This research proposes a mid-range substantial theory on sustainability of Canada's nonprofit sector. As such, it is a starting point for further inquiry. While there are limitations to this work, there are also great opportunities for extended inquiry and scholarly activity. As Figure 8 shows, two basic lines of inquiry can begin from the starting point offered by this research. First, using the grounded theory of sustainability in Canada's nonprofit sector, work could continue at the sector level. This could involve broad regional or national projects examining the role of metamobilization actors either as individuals or organizations. Further clarification of the grounded theory through either continued verification and refinement of the theoretical categories and observation of how recategorization and ethical expression contribute to sustainability could be viable lines of investigation.

Figure 8: Future Directions for Research Using the Grounded Theory of Sustainability in Canada's Nonprofit Sector.



Another line of inquiry would be to focus the grounded theory on particular sub-sectors of the nonprofit sector. Research here would contribute to understanding the how nonprofit organizations with a similar community focus are addressing the question of sustainability. Within each subsector, verification and refinement of the theoretical categories and the investigation of how recategorization and ethical expression contribute to sustainability would be important research initiatives. An understanding of the differences and similarities between subsectors pertaining to the proposed grounded theory would also be an important contribution to the body of knowledge on sustainability.

Profiles of Canada's nonprofit sector generated by statistics Canada – the NSNVO survey for example – show that there are deep cracks running throughout. The sustainability concerns are especially strong regarding the two-thirds of nonprofit organizations that have annual revenues of less than \$100,000. Relying on volunteers, these organizations lack the financial and human resources to plan for the future. I believe that it is only through the active development and involvement of metamobilization actors, boundary spanning activities (especially through boards of directors), and decategorization that a large number of nonprofit organizations will have a chance of lasting beyond the decade.

Current funding arrangements and a considerable history of non-cooperation within the nonprofit sector have combined to strengthen competitive behaviors between nonprofit organizations. Each of these issues has to be confronted directly through active boundary spanning work within the nonprofit sector in Canada. It is within the domain of responsibility of boards of directors of nonprofit organizations to begin the culture change within nonprofit organizations that will put cooperative activities ahead of competitive activities. Part of that culture change will include initiating new kinds of financial arrangements with funders that place collective community good ahead of the survival of a single nonprofit organization. While funders could initiate activities leading to sustainability through the avenues suggested by this research, ultimately it is

the responsibility of the nonprofit sector to take charge of its own affairs and make the needed changes. Specific activities that the nonprofit sector could initiate include:

- encourage boundary spanning activities at the governance level of the organization;
- seek opportunities for interorganizational dialogue and coalition building;
- encourage the work of metamobilization actors or invest in the development of individuals or organizations who could fulfill this role;
- establish community priorities that can serve as the basic framework for systemic change;
- identify and engage in activities that result in decategorization and the formation of new more collective identities;
- undertake to understand the nature of the boundary between nonprofit organizations (and the sector as a whole) and the rest of the community.

Generally stated, the implications of this research for the sector emphasize the need to operate differently along the lines of forming coalitions, working across boundaries, and engaging employees in ways that go beyond their prescribed job descriptions. Highly individuated organizational structures and the systems that support them (e.g., governance, management, funding) stand as a considerable barrier to sustainability in the long term. Whether or not nonprofit organizations choose to stand alone and in all likelihood fail alone, is the decision nonprofit organizations are faced with. If the alternative of coalition building through boundary spanning work is chosen instead, a significant step will be taken towards the transformational change of the nonprofit sector. While for some organizations, change on this scale may create insurmountable problems, other organizations will find tremendous opportunities. Those organizations moving quickly into the metamobilization role will be the hubs of innovation and discovery as the framework for the coalition is negotiated. Those participating in the development of coalitions will be extending boundary spanning work, bringing them into contact with new ideas and opportunities. For those served by nonprofit organizations, the potential exists for sustained and even improved service

delivery. Together, these undertakings combine to build a broad and inclusive understanding that “we” means the community as a whole. Stepping outside of the boundary within which an organization defines itself is a step towards building the vital connections between people that gives life to community regardless of how one chooses to define “community”. While most nonprofit organizations believe that they are acting in the best interests of community, the competition born of the fear of not being sustainable has meant that self-interest has displaced collective interest. Moving between and across organizational boundaries and forming coalitions affirms the original intent of nonprofit organizations to produce a social good. By focusing once more on the social good rather than what is good for a single nonprofit organization, the nonprofit sector can become sustainable by being true to its original intent. This thought is captured by the poet Rilke below,

So we are grasped by what we cannot grasp; it has its inner lights, even from a distance – and changes us, even if we do not reach it, into something else, which, hardly sensing it, we already are.

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APPENDIX 1: ETHICS APPROVAL

The following is a scan of the ethics approval letter. The title of this thesis is different from the title given at the start of the research five years ago due to discoveries along the way. There was no change in the methodology approved by the Conjoint Faculties Research Ethics Board.



CERTIFICATION OF INSTITUTIONAL ETHICS REVIEW

This is to certify that the Conjoint Faculties Research Ethics Board at the University of Calgary has examined the following research proposal and found the proposed research involving human subjects to be in accordance with University of Calgary Guidelines and the Tri-Council Policy Statement on *Ethical Conduct in Research Using Human Subjects*:

Applicant(s): Keith E. Seel
Department/Faculty: Graduate Division of Educational Research, Faculty of Education
Project Title: Earning Their Keep – A Case Study Analysis of Adaptive Strategies of Charitable Organizations within a Competitive Funding Environment
Sponsor (if applicable):

Restrictions:

This Certification is subject to the following conditions:

1. Approval is granted only for the project and purposes described in the application.
2. Any modifications to the authorized protocol must be submitted to the Chair, Conjoint Faculties Research Ethics Board for approval
3. A progress report must be submitted 12 months from the date of this Certification, and should provide the expected completion date for the project.
4. Written notification must be sent to the Board when the project is complete or terminated

Chair
 Conjoint Faculties Research Ethics Board

Date: MAY 11/01

Distribution: (1) Applicant, (2) Supervisor (if applicable), (3) Chair, Department/Faculty Research Ethics Committee, (4) Sponsor, (5) Conjoint Faculties Research Ethics Board (6) Research Services

09/00